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SAN FRANCISCO PORT COMMISSION

Doreen Woo Ho, President
Kimberly Brandon, Vice President
Willie Adams, Commissioner
Leslie Katz, Commissioner
Mel Murphy, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax 415-274-0412

AGENDA **TUESDAY, JANUARY 14, 2014** **3:15 P.M. OPEN SESSION**

PORT COMMISSION HEARING ROOM, SECOND FLOOR **FERRY BUILDING, SAN FRANCISCO CA 94111**

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. CALL TO ORDER / ROLL CALL

2. APPROVAL OF MINUTES – December 12, 2013

3. PLEDGE OF ALLEGIANCE

4. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

COMMISSION DEPT

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5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

6. EXECUTIVE

- A. Election of Port Commission Officers
- B. Executive Director's Report
 - Grand Opening of the new Sea Lion Center at PIER 39
- C. Request approval of a Port Commission Travel Authorization and Reimbursement Policy. (Resolution No. 14-01)

7. CONSENT

- A. Request approval of the Operations Agreement with Phillips 66 Company ("Phillips 66") granting Phillips 66 authority to operate its refinery site in Rodeo, California as a Foreign Trade Zone No. 3 subzone site for a term of five years, with three options to extend for five years each and outlining conditions for the operation of the subzone site (Resolution No. 14-02)

8. PLANNING AND DEVELOPMENT

- A. Request approval of the First Amendment to the Exclusive Negotiation Agreement between the Port and Forest City Development California, Inc. ("Forest City") for the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay (Resolution No. 14-03)
- B. Informational presentation on Flaming Lotus Girl's temporary public art installation at the Pier 14 Plaza between the Agriculture Building and Pier 14 on The Embarcadero adjacent to Mission Street

9. REAL ESTATE

- A. Informational presentation on the Port's Climate Action Plan and Efforts to Track and Reduce greenhouse Gas Emissions

10. NEW BUSINESS

11. ADJOURNMENT

**FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

FEBRUARY 11, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 33 North	Informational	Presentation on a limited Request for Proposals for a retail space located at Pier 33 North (aka 33½) on The Embarcadero at the foot of Bay Street which would be issued on a target basis to those small businesses currently working with San Francisco community-based organizations as a competition
2	Portwide	Informational	Presentation on the Port's Biennial Operating and Capital Budget for Fiscal Years 2014-15 and 2015-16
3	Portwide	Informational	Presentation on the Port's 10-Year Capital Plan
4	Portwide	Action	Request approval of: (1) the preliminary form of the Official Statement relating to the Bonds and the distribution of the statement; and (2) the form of the Continuing Disclosure Certificate of the Port and the execution of the certificate
5	Piers 30-32 & SWL 330	Action	Request Approval of the Second Amendment to the Exclusive Negotiation Agreement with GSW Arena LLC for Piers 30-32 located on the east side of The Embarcadero at Bryant Street and Seawall Lot 330 located on the west side of The Embarcadero between Beale and Bryant Streets
6	Portwide	Action	Approval of the Executive Director's nomination of members of the Port Building Code Review Board
7	Portwide	Action	Accept and Expend 2013 Port Security Grant Funds
8	Heron's Head Park at Cargo & Jennings	Action	Request authorization to execute a lease for the Eco Center at Heron's Head Park and surrounding 6,058 square feet of non-exclusive license area

FEBRUARY 25, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 70	Informational	Update on the Orton Development Inc.'s proposed project for the lease and rehabilitation of the 20 th Street Historic Buildings on or near 20 th and Illinois Streets at Pier 70
2	Pier 33 North	Informational	Presentation on the Pilot Program for the Pier 33 Retail Space

3	Portwide	Action	Approval of the Port's Biennial Operating and Capital Budget for Fiscal Years 2014-15 and 2015-16
4	Portwide	Action	Approval of the Port's 10-Year Capital Plan
5	Pier 33 North	Action	Request approval for a limited Request for Proposals for a retail space located at Pier 33 North (aka 33½) on The Embarcadero at the foot of Bay Street which would be issued on a target basis to those small businesses currently working with San Francisco community-based organizations as a competition

MARCH 11, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Request authorization to advertise for competitive bids for Construction, Pier 35 Building and Roof Repairs
2	Pier 94 and 96	Action	Request authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
3	3rd Street & Cargo Way Triangle and Cargo Way	Action	Request authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project
4	Copra Loading Dock near Tulare Street	Action	Request authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
5	Pier 70	Action	Request approval of a lease and development agreement with Orton Development, Inc. for the 20th Street Historic Buildings at Pier 70
6	SWL 322-1	Action	Request approval of Memorandum of Understanding between the San Francisco Mayor's Office of Housing ("MOH") and the Port regarding the terms and conditions under which the Port will allow MOH to solicit a developer to enter into a lease with the Port for the development of Seawall Lot 322-1 with an affordable housing development

APRIL 8, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Army Street, Islais Street, and Pier 90	Action	Authorization to award Construction Contract No. 2758, Bayview Gateway & Tulare Park Projects

MAY 13, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Building and Roof Repairs

JUNE 10, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to advertise for competitive bids for Construction, Pier 31 Building and Roof Repairs
2	Pier 94 and 96	Action	Authorization to award Construction Contract No. X, Pier 94-96 Storm Drain and Outfall Repairs

JULY 8, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs

AUGUST 12, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to award Construction Contract No. XX, Pier 31 Building and Roof Repairs
2	3rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to award Construction Contract No. 2764, Quint Street Lead Improvement Project

SEPTEMBER 9, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Substructure Repairs

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Pier 27	Informational	Presentation on the James R. Herman Cruise

			Terminal Management Agreement with Metro Cruise LLC
2	Pier 27	Action	Approval of the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC
3	South Beach	Action	Port Commission's consideration of agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the South Beach Harbor Program
4	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
5	Pier 70	Action	Authorization to award Construction Contract No. 2740, Crane Cove Park Project - Phase 1

FEBRUARY 2014
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
Feb. 11	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Feb. 25	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paetz @ 705-8674 or mark.paetz@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.



MEMORANDUM

January 9, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request approval of a Port Commission Travel Authorization and Reimbursement Policy

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Background

Over the past 36 months, Port Commissioners have been invited by Port staff to participate in various conferences, seminars, marketing calls or meetings outside of the San Francisco Bay Area. The Port Commissioners' participation has proved to be invaluable in lending significance to such activities as well as in contributing the unique knowledge and expertise of the Commissioners to these activities.

The Controller of the City and County of San Francisco maintains a travel policy and guidelines for reimbursement for all city staff and officials which the Port staff and Commissioners have followed to date. In addition, the Port Commissioners have set the unique practice of seeking approval from the entire Commission whenever a Commissioner is traveling as a representative of the Port.

Commission President Doreen Woo Ho has asked that the Port Commission's travel practices be summarized in an official policy adopted by the Port Commission. The attached Port Commission Travel Authorization and Reimbursement Policy ("Travel Policy") summarizes the Port Commission's practices and the Controller's reimbursement guidelines for use in all Port Commissioner travel.

Proposed Travel Policy

The proposed Travel Policy stipulates that travel by a Port Commissioner must
THIS PRINT COVERS CALENDAR ITEM NO. 6C

constitute “official business of the Port of San Francisco” such as travel for Port business meetings, marketing calls, trainings, seminars or conferences. The proposed Travel Policy describes specific criteria that constitute “official business of the Port.”

The proposed Travel Policy also requires that before a Port Commissioner elects to travel on behalf of the Port, the Port Commissioner has ensured that the Port has sufficient budgetary funds to reimburse the Port Commissioner for such travel, or that sponsorship, donated funds or other sources are available and allowable under applicable laws and regulations, including the Political Reform Act, California Fair Political Practices Commission regulations and the City’s Campaign and Governmental Conduct Code. The proposed Travel Policy also requires that any such reimbursements comply with the City Controller’s Official Business Travel Reimbursement Guidelines (“Controller’s Guidelines”), as amended from time to time.

The proposed Travel Policy requires the Port Commissioner to complete and pre-sign a travel request which is then reviewed and approved by the Port Commission President and the Port Executive Director (as the “Authorized Travel Signatory” under the Controller’s Guidelines) or their respective delegates. Review and approval of a travel authorization form will be made initially by the Port Commission President in consultation with the Executive Director and will consider:

- (i) the significance of the purpose of the travel,
- (ii) the availability for travel of the Port Commissioner with the professional expertise that most closely matches the purpose of the travel,
- (iii) a fair rotation of travel opportunities among Port Commissioners, and
- (iv) the cost and availability of funds. Such proposed travel will also require approval by vote of a majority of the Port Commissioners.

The City contracts with a specified travel vendor who can assist with Port Commissioner travel. The Port Commission Secretary is available to book Port travel with the City’s vendor or directly with the airlines for Port Commissioners and confirm that such travel expenses are consistent with the Controller’s Guidelines. Additionally, the Port Commission Secretary is available to prepare and submit travel expense reimbursements on behalf of Port Commissioners.

Recommendation

Port staff recommends that the Port Commission approve the attached resolution approving the Travel Authorization and Reimbursement Policy for Port Commissioners as described in this staff report and further detailed in the attachments.

Prepared by: Monique Moyer, Executive Director

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-01

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and
- WHEREAS, From time to time, participation by Port Commissioners in conferences, seminars, marketing calls or meetings outside of the San Francisco Bay Area is in the best interest of the Port in furthering its educational objectives, best practices and activities; and
- WHEREAS, Any such travel by a Port Commissioner in her/his official capacity as a representative of the Port should constitute official business of the Port of San Francisco in which there is a valid Port interest to be served or gained through the travel; and
- WHEREAS, Any such travel which would be reimbursable by the Port shall ensure that there are available funds to make such reimbursement before the travel is approved; and
- WHEREAS, Any such travel which would be reimbursable by the Port shall comply with the Controller's Office of the City and County of San Francisco Business Travel Reimbursement Guidelines as amended from time to time; and
- WHEREAS, Any such travel by a Port Commissioner on official Port business shall comply with applicable laws and regulations including the Political Reform Act, the Campaign and Governmental Conduct Code and California Fair Political Practices Commission regulations, as amended from time to time; and
- WHEREAS, Review and approval of a travel authorization form will be made initially by the Port Commission President in consultation with the Executive Director and will consider: (i) the significance of the purpose of the travel, (ii) the availability for travel of the Port Commissioner with the professional expertise that most closely matches the purpose of the travel, (iii) a fair rotation of travel opportunities among Port Commissioners, and (iv) the cost and availability of funds. Such proposed travel will also require approval by vote of a majority of the Port Commissioners; and
- WHEREAS, Any such travel by a Port Commissioner on official Port business shall be approved by a majority vote of the Port Commission; now, therefore, be it

- RESOLVED, That the Port Commission authorizes adoption of the Travel Authorization and Reimbursement Policy for Port Commissioners; and be it further
- RESOLVED, That the Port Commission authorizes the Executive Director or her designee to make non-material changes in consultation with the City Attorney.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of January 14, 2014.

Secretary

PORT OF SAN FRANCISCO

TRAVEL AUTHORIZATION AND REIMBURSEMENT POLICY FOR PORT COMMISSIONERS

I. PURPOSE:

The purpose of this Travel Authorization and Reimbursement Policy ("Policy") is to provide the Port of San Francisco's travel rules and guidance to Port Commissioners regarding allowable travel and reimbursable expenses while travelling on official business outside the San Francisco Bay Area. As a best practice, all travel by members of the Port Commission must be authorized in advance as described below.

This policy is structured in accordance with the Controller's Office of the City and County of San Francisco's Business Travel Reimbursement Guidelines. As a general rule:

Officers should incur only those expenses that a reasonable and prudent person would incur when traveling on official business.

Due consideration should be given to such factors as suitability, convenience and the nature of the business involved. Travel expenses are reimbursable for officials' travel on official business of the Port of San Francisco, subject to the allowances, limits and requirements noted in the Controller's Office Business Travel Reimbursement Guidelines ("Controller's Guidelines"). A copy of the Controller's Guidelines is available electronically at www.sfcontroller.org/Modules/ShowDocument.aspx?documentid=2174. Additionally, a copy is held with the Port Commission Secretary who is available to book Port travel for Port Commissioners and confirm that such travel expenses are consistent with the Controller's Guidelines.

All expenses incurred for Port travel must comply with the terms set forth in this Policy as well as the Controller's Guidelines; otherwise the expense will not be reimbursed by the Port and will be the traveler's responsibility. The Port Commission Secretary is available to prepare and submit travel expense reimbursements on behalf of Port Commissioners.

Officers should incur only those expenses that a reasonable and prudent person would incur when traveling on official business.

Due consideration should be given to the applicable California Fair Political Practices Commission ("FPPC") regulations. A copy of the FPPC's guidelines

can be found at www.fppc.ca.gov/. Commissioners should ensure that her/his intended travel is not prohibited or subject to any limit under applicable laws and regulations including the Political Reform Act, the City's Campaign and Governmental Conduct Code and FPPC regulations, as they each may be amended from time to time.

II. DEFINITION OF OFFICIAL BUSINESS:

To constitute "official business of the Port of San Francisco," the activities of the Port Commissioners must clearly demonstrate that there is a valid Port interest to be served or gained through the travel.

A Port Commissioner may travel on behalf of the Port of San Francisco for business, marketing of the Port, training, seminar, and conference activities if the following criteria are met:

1. *The promotion or development of Port of San Francisco programs, methods or administration.* Examples include but are not limited to (a) business development, symposiums or the study of best practices in the areas of maritime commerce, clients, workgroups, facilities or technologies, (b) waterfront development, planning and zoning considerations, (c) public trust considerations or examples, (d) transportation, (e) public space, parks and/or recreation, and/or (f) environmental issues such as sea level rise, sea wall protections, air water quality, etc.
2. Requests of the Mayor or Board of Supervisors for friendship missions or tourism, trade, transportation enhancement or business development / exploration opportunities.
3. Relevance to Port of San Francisco operations or the Port Commissioner's policy role in such operations. Examples include but are not limited to learning/studying issues such as contract terms, budget expenditures, revenue generation, asset management, infrastructure investment, etc.
4. Furtherance of the Port's legislative agenda through meetings with agency staff, state or federal elected officials, or advocacy organizations aligned with the Port's legislative goals.
5. Utilization only of Port funds that have been included in the Port's approved travel expenditure budget, sponsorship or donated funds and/or other sources of funds allowable under applicable laws and regulations, including the Political Reform Act, the City's Campaign and Governmental Conduct Code and FPPC regulations.

6. Reimbursements consistent with the Controller's Guidelines.

III. TRAVEL AUTHORIZATION

As a best practice, all travel by members of the Port Commission must be authorized in advance. A request may be initiated at the invitation of either the Executive Director, Port Commission President or at a member's own instigation. A travel authorization form (see Attachment 1) must be completed and signed by the traveling Port Commissioner and approved by both the Port Commission President and the Executive Director (as Authorized Travel Signatory pursuant to the Controller's Guidelines) or her/his delegate. The request then must be approved by a majority vote of the Port Commission. Information required on the authorization form includes:

- Name of Person Travelling
- Purpose of Travel
- Date(s) of travel and destination
- Benefit to the Port of San Francisco
- Estimated expenses including registration fee, cost of air ticket, other transportation costs (i.e. taxi, shuttle or car rental), and lodging. Fully itemized detail in accordance with the guidelines in this document must be provided for estimated expenses.
- Availability of funds in the current fiscal year
- Port Harbor Fund Impact and/or Savings and Amount

Port Commissioners may ratify travel for which prior approval was not obtained from the Commission for good cause at the Port Commission's sole discretion.

When incurring travel expenses on behalf of the Port, the Port Commissioner must recognize that the Port is a public entity and that all expenses involve the use of public funds. Expense Reports will be audited from time to time and are public records under the California Public Records Act and the City's Sunshine Ordinance.

Review and approval of a travel authorization form will be made initially by the Port Commission President in consultation with the Executive Director and will consider (i) the significance of the purpose of the travel, (ii) the availability for travel of the Port Commissioner with the professional expertise that most closely matches the purpose of the travel, (iii) a fair rotation of travel opportunities among Port Commissioners and (iv) the cost and availability of funds.

Under City policy, airfare reimbursement is limited to economy/coach class. Upgrades are not reimbursable. Purchases directly through the City travel vendor (and paid by the Port) should be made for economy/coach class only.

Should a Port Commissioner wish to upgrade from economy/coach class at her/his own expense, the Port Commissioner should pay upfront for the flight and use the quote from the City vendor to determine the allowed reimbursement based on economy/coach class travel. Travel advances are not allowed for airfare expense booked independently from the City travel vendor. The Port Commission Secretary is available to book Port travel for Port Commissioners, at her/his request.

Port Commissioners are responsible for cancellation of lodging and transportation if travel is cancelled or postponed, to ensure that the Port is not liable for any costs. The Port Commission Secretary is available to cancel such bookings for Port Commissioners at her/his request.

Upon returning from travel, attendees may report to the Port Commission on information or knowledge attained during the travel for the benefit of the Port Commission and the public.

V. PROCESSING OF TRAVEL EXPENSE VOUCHERS

Complete expense reimbursement requests or travel liquidations must be fully supported by original receipts and forwarded to the Port's Accounting/Finance Division no more than **30 days** from return of travel. If a travel advance was issued, the advance must be liquidated and any unused funds returned to the Port within **10 days** of return. Reimbursement requests with incomplete documentation will be denied. Expense reimbursement must be processed in the City's financial system no more than 90 days upon return of the trip. The Port Commission Secretary is available to prepare and submit travel expense reimbursements on behalf of Port Commissioners.

When filing a travel claim, the Port Commissioner is:

- Responsible for forwarding complete and timely travel claims to the Port's Accounting/Finance Division no more than 30 days from return of travel or 10 days if an advance was issued.
- Required to specify the business purpose of the trip, destination, conference/workshop/meeting dates, travel dates and times (departure and return). The business purpose should be descriptive enough to clearly answer any questions regarding the necessity of the travel.
- Required to submit all supporting documentation including, but not limited to: the approved Travel Request Form, Travel Expense Voucher, air or other itinerary, boarding passes, conference/meeting/workshop schedule and

agenda, **original** itemized receipts, proof of payment, any necessary pre-approvals and/or justifications, etc.

Any Port Commissioner who has questions with respect to implementation of this policy should consult the Port Commission President, the Executive Director and/or the Port Commission Secretary.

Adopted: January 14, 2014

Form of Port Commission Travel Authorization

As a best practice, all travel by members of the Port Commission must be authorized in advance. A request may be initiated at the request of either the Executive Director, Port Commission President or at a member's own request. This travel authorization form must be completed and signed by the Port Commissioner and approved by the Port Commission President, the Executive Director as the Authorized Travel Signatory or their respective delegate. The request then must be approved by a majority vote of the Port Commission.

Name of Person Travelling:

Purpose of Travel:

Date(s) of travel and destination:

Benefit to the Port of San Francisco:

Estimated expenses including registration fee, cost of air ticket, other transportation costs (i.e. taxi, shuttle or car rental), and lodging. Fully itemized detail in accordance with the guidelines in this document must be provided for estimated expenses.

Availability of funds in the current fiscal year: ☐ Yes ☐ NoPort Harbor Fund Impact and/or Savings & Amount:

Signed:

Date:

Port Commissioner

Approved:

Port Commission President

Authorized Travel SignatoryDate:

Date:

Port Commission Approval:

Yes: Resolution No. xx-xx; Date:



MEMORANDUM

January 9, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Request approval of the Operations Agreement with Phillips 66 Company ("Phillips 66") granting Phillips 66 authority to operate its refinery site in Rodeo, California as a Foreign Trade Zone No. 3 subzone site for a term of five years, with three options to extend for five years each and outlining conditions for the operation of the subzone site

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Summary

In September 2013, Port staff received a request to apply to the U.S. Foreign-Trade Zones Board ("FTZ Board"), on behalf of Phillips 66 Company ("Phillips 66"), to establish a Foreign Trade Zone (FTZ) subzone site at their Rodeo, California refinery facility. As Grantee of Foreign Trade Zone No. 3, port staff subsequently submitted an application on September 17, 2013 on behalf of Phillips 66 to establish this subzone site. The FTZ Board, as administrative agency for the FTZ program, processed and vetted the Phillips 66 application and notified the Port on January 6, 2014 through Board Order No. 1926 that subzone status has been approved.

Phillips 66 manufactures and distributes finished petroleum products at their Rodeo refinery. FTZ status at the Rodeo refinery will 1) put Phillips 66 in a better position to retain jobs and compete with imports of finished petroleum products and with other refineries in the region, two of which are already operating under FTZ procedures; 2) allow Phillips 66 to improve its net margins at that refinery; and 3) strengthen Phillips 66 as a whole.

Phillips 66 will operate the subzone site pursuant to a proposed Operations Agreement,

This Print Covers Calendar Item No. 7A

a copy of which is on file with the Secretary of the Port Commission ("Agreement"). The Agreement confirms that the Port of San Francisco owns the grant of authority for FTZ No. 3, and the Port is providing Phillips 66 authority to operate its site in Rodeo under our grant of authority as an FTZ No. 3 subzone site for a term of five years, with three options to extend for five years each at Port's sole discretion. According to the terms of the Agreement, Phillips 66 will be required to provide the Port a written request for an extension at least sixty days prior to the expiration of the then current term. The Port has sole discretion to grant the extension, and will evaluate Phillips 66's performance as required by the terms of the Agreement when deciding whether or not to grant the extension. On approving any request for extension, the Port may increase the annual fee in accordance with the Port rates and regulations for FTZ No. 3. If the parties cannot agree on the terms and conditions prior to the end of the then current term, the Agreement shall terminate at the end of that term.

The Agreement contains standard Port terms for subzone operating agreements, including that Phillips 66 will: assume responsibility under the Agreement for operation and management of the subzone site in conformance with all FTZ Board and U.S. Customs and Border Protection (CBP) regulations and guidelines and all other local, state and federal laws; allow for Port and regulatory agency oversight; agree to pay fees (as adjusted); indemnify Port for claims resulting from the Agreement; and provide adequate insurance coverage. The Agreement provides for termination of the Agreement and includes other standard terms. The City's Risk Manager has approved Phillips 66's proposal to meet the insurance requirements through a self-insurance program.

Any operating costs or capital improvements associated with the subzone site will be Phillips 66's responsibility. No public funds will be required to fund the subzone site project.

The Port's FTZ No. 3 Zone Schedule (tariff) provides for a \$10,000 Application Processing Fee, already received from Phillips 66, which covers the Port's expenses for obtaining the necessary approvals for the subzone site, submission of the site application to the FTZ Board and any necessary support required in the application process. The Zone Schedule also provides for a \$3,500 Activation Fee and \$20,000 Annual Fee, as adjusted periodically, which covers Port staff administrative expenses including preparation of an Annual Report to the FTZ Board summarizing FTZ No. 3 annual activities as required under FTZ Board regulations.

Discussion

Foreign trade zones were established by the U.S. Congress in The Foreign-Trade Zones Act of 1934 to stimulate economic development in communities by providing businesses with economic advantages to conduct international trade activities in the United States, versus foreign locations, thus increasing the availability of local jobs and exports. In 1948, the Port of San Francisco received an FTZ Board Grant of Authority to establish, operate and maintain a foreign trade zone. In granting such a designation, the Act allows for the establishment of special-purpose subzone sites, such as petroleum refineries. In 1998 the Port established such a subzone site for the Chevron USA Inc. petroleum refinery facility in Richmond, California and in 2011 established

another such subzone site at the Valero Refining Company petroleum refinery facility in Benicia, California. If approved, this subzone at the Phillips 66 Rodeo site will be the Port's third subzone.

The United States remains dependent on imports of petroleum products, primarily crude oil. FTZ status at the Rodeo refinery will allow Phillips 66 to improve its net margins at that refinery and put it in a better position to retain jobs and compete with imports of finished petroleum products. This status will also allow the Rodeo refinery to better compete with other refineries in the area, two of which are already operating as FTZ subzones, while also strengthening Phillips 66 as a whole. As the U.S. becomes more efficient in its own consumption of petroleum products and as developing countries increase their demand, U.S. refiners, including Phillips 66, could be poised to increase exports to those countries. FTZ status will promote the likelihood of exports from the Rodeo refinery.

The Foreign-Trade Zones Act provides for "...the establishment...of foreign-trade zones in ports of entry of the United States, to expedite and encourage foreign commerce, and for other purposes," and authorizes the FTZ Board to grant to qualified corporations the privilege of establishing FTZ subzone sites in or adjacent to CBP ports of entry. The FTZ Board's regulations (15 CFR Part 400) provide for the establishment of special-purpose subzones when existing zone facilities cannot serve the specific use involved, and when the activity results in a significant public benefit and is in the public interest.

Article VII of the Transfer Agreement and Charter Section B3.581(o) authorize the Port of San Francisco "to operate foreign trade zones within the Port area or auxiliary to the Port area, or such zones or subzones as have been operated by the San Francisco Port Authority." The proposed subzone is auxiliary to the Port area because Phillips 66 imports crude oil to its refinery in Rodeo on vessels that regularly anchor at San Francisco Bay anchorages, and use tug and tow and other marine services that are predominantly located at the Port of San Francisco to support these vessels. The more ships Phillips 66 continues to bring into the Bay, the more need Phillips 66 will have for Port of San Francisco harbor services which translates to greater maritime commerce and income to the Port.

Foreign trade zone activities Phillips 66 proposes to commence at the subzone site include: deferring U.S. Customs entries of petroleum imports until finished products are ready to leave the subzone, thereby deferring payment of Customs duties; processing Customs entries weekly rather than on a per-shipment basis; and eliminating payment of Customs duties on imported refinery inputs for finished products that are later re-exported.

The FTZ Board processed the Port's application, inviting public comment, and found that the requirements of the FTZ Act and Board's regulations would be satisfied, and that the proposal would be in the public interest, and therefore granted approval for subzone site status through their Board Order No. 1926 dated January 6, 2014.

Recommendation

Staff deems it practicable to limit Port participation as Zone Grantee in the everyday operations of the subzone site. Phillips 66 is the owner of the subzone site and has agreed to the terms of the Agreement.

Port staff recommends that the Port Commission approve this resolution authorizing execution of the Agreement with Phillips 66 Company granting Phillips 66 authority to operate its refinery site in Rodeo as an FTZ No. 3 subzone site for a term of five years, with three options to extend for five years each, and specifying conditions for the operation of the subzone site. The Agreement will have a stated term of five years, plus three options to extend for an additional five years each. If all options are executed, the full term will be 20 years. As a maritime contract, this Agreement is subject only to approval of the Port Commission and is exempt from the need for Board of Supervisor approval.

Prepared by: Jim Maloney, Maritime Marketing Manager

For: Peter Dailey, Deputy Director, Maritime

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 14-02**

- WHEREAS, The grant of authority for Foreign Trade Zone No. 3 ("FTZ No. 3" or the "Zone") was issued to the San Francisco Port Authority, the State of California's predecessor port agency prior to its transfer to the City and County of San Francisco, by the Foreign-Trade Zones Board ("FTZ Board") on March 10, 1948 under Board Order No. 16; and
- WHEREAS, Article VII of the Transfer Agreement and Charter Section B3.581(o) authorize the Port of San Francisco "to operate foreign trade zones within the Port area or auxiliary to the Port area, or such zones or subzones as have been operated by the San Francisco Port Authority;" and
- WHEREAS, As grantee of the FTZ No. 3, the San Francisco Port Commission ("Zone Grantee") has certain responsibilities to establish and maintain the FTZ No. 3 as stated in the FTZ Board regulations; and
- WHEREAS, The Foreign-Trade Zones Act provides for "...the establishment...of foreign-trade zones in ports of entry of the United States, to expedite and encourage foreign commerce, and for other purposes," and authorizes the FTZ Board to grant to qualified corporations the privilege of establishing foreign-trade zone sites in or adjacent to U.S. Customs and Border Protection ports of entry; and
- WHEREAS, The FTZ Board's regulations (15 CFR Part 400) provide for the establishment of special-purpose subzones when existing zone facilities cannot serve the specific use involved, and when the activity results in a significant public benefit and is in the public interest; and
- WHEREAS, Phillips 66 Company desires to make use of foreign trade zone status and wishes to activate its Rodeo, California refinery site described in its application to the FTZ Board; and
- WHEREAS, The proposed subzone is auxiliary to the Port area because Phillips 66 imports crude oil to its refinery in Rodeo on vessels that regularly anchor at San Francisco Bay anchorages, and use tug and tow and other marine services that are predominantly located at the Port of San Francisco to support these vessels; the more ships Phillips 66 continues to bring into the Bay, the more need Phillips 66 will have for Port of San Francisco harbor services which translates to greater maritime commerce and income to the Port; and
- WHEREAS, The Port of San Francisco has made application to the FTZ Board for authority to establish a special-purpose subzone site at the Rodeo, California petroleum refinery site (filed September 17, 2013); and

- WHEREAS, Notice inviting public comment was given in the *Federal Register* (FR Vol. 78, No. 208, October 28, 2013) and the application has been processed pursuant to the FTZ Act and the FTZ Board's regulations; and
- WHEREAS, The FTZ Board found that the requirements of the FTZ Act and Board's regulations would be satisfied, and therefore granted authority for subzone site status through its Board Order No. 1926 dated January 6, 2014; and
- WHEREAS, The Port, as Zone Grantee, deems it practicable to limit its participation in the everyday operations of the subzone site; and
- WHEREAS, Phillips 66, as subzone operator, will be the owner of the subzone and wishes to undertake the operational management of foreign trade zone subzone activities, on its own behalf, pursuant to the authority extended by the Port, as Zone Grantee, and subject to all applicable federal, state and local regulations, statutes and ordinances; and
- WHEREAS, Subzone activities that Phillips 66 proposes to commence at the subzone site include: deferring U.S. Customs entries of petroleum imports until finished products are ready to leave the subzone, thereby deferring payment of Customs duties; processing Customs entries weekly rather than on a per-shipment basis; and eliminating payment of Customs duties on imported refinery inputs for finished products that are later re-exported; and
- WHEREAS, The Port and Phillips 66 as subzone site operator have negotiated an agreement, a copy of which is on file with the Secretary of the Port Commission (the "Agreement"), granting subzone site operator exclusive authority to operate the subzone site for a term of five years, with three options to extend for five years each in Port's sole discretion, and outlining conditions for the operation of the subzone site; and
- WHEREAS, Under the Agreement, Phillips 66 as subzone site operator agrees to pay the Port as Zone Grantee a \$20,000 Annual Fee that will cover Zone Grantee expenses for oversight of the subzone site and submission of the Annual Report summarizing FTZ No. 3 annual activities to the FTZ Board, therefore, be it
- RESOLVED, That the Port Commission hereby approves the Agreement with Phillips 66 Company granting Phillips 66 exclusive authority to operate its site in Rodeo, California as a Foreign Trade Zone No. 3 subzone site and authorizes the Executive Director to execute the Agreement; and be it further
- RESOLVED, That the Port Commission authorizes the Executive Director to exercise the extension options in her discretion and to enter into any additions, amendments or other modifications to the Agreement that the Executive Director, in consultation with the City Attorney, determines are in the best

interest of the Port, do not materially increase the obligations or liabilities of the Port or City or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of any such documents.

I hereby certify the foregoing resolution was adopted by the Port Commission at its meeting of January 14, 2014.

Secretary



MEMORANDUM

January 9, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer *Moyer*
Executive Director

SUBJECT: Request approval of the First Amendment to the Exclusive Negotiation Agreement between the Port and Forest City Development California, Inc. ("Forest City") for the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Executive Summary

On May 28, 2013, the Port Commission adopted Resolution 13-20 endorsing the nonbinding term sheet ("Term Sheet") between the Port and Forest City Development California, Inc. ("Forest City") for the mixed use development of the Pier 70 Waterfront Site (the "Project") on 28 acres at Pier 70 (the "Site," shown on Attachment 1, Exhibit A). The Term Sheet was negotiated pursuant to the Exclusive Negotiating Agreement ("ENA") between the parties approved by the Port Commission on July 12, 2011 by Resolution 11-49.

On June 11, 2013, the Board of Supervisors approved Resolution 201-13 endorsing the Term Sheet by an 11-0 vote. The Board's endorsement of the Term Sheet concluded the Phase 1 milestones of the ENA. As described in the October 22, 2013 Port Commission staff report, the parties have used the intervening period to assemble their project teams, examine and pursue interim leasing opportunities for the site, and develop a proposed schedule for Phase 2 milestones (shown in Attachment 1, Exhibit B) required under the ENA.

THIS PRINT COVERS CALENDAR ITEM NO. 8A

On September 11, 2013, the Port Director approved Forest City's request for an administrative extension for the milestone to complete a project description for purposes of initiating analysis pursuant to the California Environmental Quality Act by 9 months from September 10, 2013, to March 10, 2014.

This staff report describes a proposed First Amendment to the ENA the parties have negotiated to address the following issues:

- Interim leasing of the Site;
- Treatment of negotiating fees and reimbursement of Port and City transaction costs;
- Revised scheduled of performance for Phase 2 of the project; and
- Representing the Port's position in political campaigns.

Proposed First Amendment To Exclusive Negotiating Agreement

Interim Leasing

As described in the October 22, 2013 Port Commission staff report, Port staff have been successful in releasing the Waterfront Site after its major interim tenant, the San Francisco Municipal Transportation Agency, relocated its towing and auto storage operation from the site in June, 2013.

Under the original ENA, the Port was required to deliver the Waterfront Site to Forest City free of tenants after final Transaction Documents were executed. Given the phased nature of the proposed development as described in the Term Sheet, certain portions of the site may not be needed by Forest City immediately after final project approval. Given the importance of interim leasing revenue to the Port, the First Amendment acknowledges leases that the Port has recently entered and establishes guidelines for future interim leasing that balance the Port's near-term revenue needs with the need to make the site available on a phased basis. Future interim leases are subject to Forest City's review and must include provisions to allow relocation or termination of the leases on a timely basis.

Since so much of the Waterfront Site is now leased, Port staff expects that future interim leasing may focus on uses of Building 12. Staff is in discussions with Forest City about possible interim uses of this building and the adjacent parking area.

Treatment of Negotiating Fees and City Reimbursement

The original ENA provides for Forest City to pay quarterly negotiating fees of \$50,000¹. The fees are deferred until final project approval; as an incentive to fully entitle areas outside of the Waterfront Site, half of the fees may be forgiven if Forest City

¹ When Forest City was selected as the Port's Waterfront Site development partner, it paid a \$100,000 non-refundable earnest money payment to the Port.

successfully obtains approval of a Proposition D Plan for the Pier 70 Preferred Master Plan area.

Pursuant to the ENA, Forest City paid the Port a \$75,000 Outside Transaction Cost Deposit to cover transaction costs, which must be replenished from time to time. In addition, the original ENA provides for recovery of Port costs up to an annual cap of \$300,000. Unused portions of the cost cap may be rolled over to future quarters. Port costs above this amount may be absorbed by the Port or the Port may request payment from Forest City. If Forest City agrees to pay, such payments would be deducted from deferred negotiating fees (as adjusted if Forest City prepares the Proposition D Plan). The original ENA also envisions that treatment of Port costs above the annual cap may be subject to further negotiation between the parties. Table 1 below shows Phase 1 and Phase 2 negotiating fees and Port cost recovery caps, and total potential cost recovery under the original ENA.

	Amount	Phase 1 – 24 Months (8 Quarters)	Phase 2 – 36 Months (12 Quarters)	Total
Negotiating Fees (Deferred)	\$50,000/Quarter	\$400,000	\$600,000	\$1,000,000
Less Proposition D Incentive	50% Reduction in Negotiating Fees	\$200,000	\$300,000	\$500,000
Port Cost Cap	\$300,000 Annually	\$600,000	\$900,000	\$1,500,000
Total Potential Cost Recovery*		\$800,000	\$1,200,000	\$2,000,000

***Note:** Total Potential Cost Recovery under the original ENA assumed that Port would seek recovery of costs above the Port Cost Cap, Forest City would agree to pay these excess costs in lieu of negotiating fees (as provided in the ENA) and Forest City would assist the Port in preparing a Proposition D Plan.

During Phase 1 of the project, the Port has billed Forest City a total of \$701,322. Forest City's payments to the Port are current and have been made on a timely basis.

City staff has prepared a detailed Phase 2 budget of projected City costs to entitle the Waterfront Site, as shown in Attachment 1, Exhibit D.

Port staff costs ("Port Costs") for the period from October, 2013 through the end of calendar year 2015 are projected at just above \$900,000. Port staff costs have a source of funding through the Port's operating budget.

City department staff costs (City Attorney, Office of Economic and Workforce Development, City Planning, San Francisco Public Utilities Commission, and Department of Public Works) and costs for outside economic and engineering consultants (collectively, "Non-Port Costs") during the same period are projected at just under \$3.5 million for the same period. Non-Port Costs do not have an obvious funding source, other than reimbursement by Forest City, as has been the practice of the City in

other master plan development projects the City has undertaken (such as Treasure Island and the Hunter's Point Shipyard).

As evidenced by these budget projections, it will require substantial time and effort by multiple City agencies to bring the project to fruition. In recognition of these higher than anticipated costs, Port staff and Forest City have negotiated the following approach to cost-recovery, as articulated in the proposed First Amendment to the ENA:

- For Port staffing costs ("Port Costs") where the Port has budgeted operating funds, the Port will track these costs through project entitlement. After Forest City has been paid from project sources for all of its predevelopment costs and realized a return on these costs, project sources will then repay the Port its accrued staffing costs plus a 3% annual interest rate. Port staffing costs will be capped for Phase 2 at \$1 million in accordance with current staffing projections. Costs in excess of this amount will be borne by the Port. If the project is not approved, Forest City will not have an obligation to reimburse the Port its staffing costs.
- For all other City costs and outside consultants ("Non-Port Costs") where the City has no funding source other than developer reimbursement, Forest City will pay these costs on a quarterly basis, as invoiced by the Port within time frames established in the First Amendment. Non-Port Costs will be capped at \$3.5 million. The First Amendment provides the Port and Forest City will meet and confer if Non-Port Costs are likely to exceed the \$3.5 million cost cap and determine whether to defer these costs and treat them in the same manner as Port Staff Costs. The Port is not obligated to pay for Non-Port Costs above the cap with Port Harbor Funds. All City costs reimbursed by Forest City will be treated like any other eligible predevelopment expense in the final agreement, and will be eligible for an 18% Developer return from project sources prior to reimbursement of eligible Port Costs (or excess Non-Port Costs) to the Port or City.
- Since Port Costs and Non-Port Costs far exceed the projected negotiating fees that Forest City would owe under the original ENA (as shown in Table 1 above), and the original ENA designated use of these negotiating fees to pay for City excess costs, no negotiating fees will be charged under the First Amendment. Instead, the Forest City will pay Non-Port Costs up to \$3.5 million.

If Forest City were to stop work on the project prior to obtaining project approvals, Forest City still will be obligated to pay outstanding Non-Port Costs at or below the \$3.5 million cost cap. Additionally, the Port retains the \$75,000 Outside Transaction Cost Deposit to pay these costs.

Phase 2 Schedule of Performance

The First Amendment maintains the 36 month schedule of performance for Phase 2, with some slight variations to the milestones. The most significant milestones include:

- CEQA Environmental Evaluation Application: March 10, 2014
- Draft Environmental Impact Report: 15 months after Environmental Evaluation Application

Subject to eligible force majeure events and extensions that may be granted by the Port, the project is expected to be entitled by mid-2016.

Political Campaigns

The First Amendment provides that Developer agrees not to make any representations about any Port statements, actions, or positions in any medium in relation to a ballot measure related to or affecting the Project in any way (a “**statement**”) without the prior written consent of the Port Executive Director, in her sole discretion.

Recommendation

Port staff recommends that the Port Commission approve the attached resolution approving the First Amendment to the ENA as described in this staff report and further detailed in the attachments.

Prepared by: Brad Benson, Director of Special Projects
Ricky Tijani, Development Project Manager

For: Byron Rhett, Port Deputy Director
Planning & Development
Ken Rich, Office of Economic and Workforce
Development, Director of Development

Attachment 1

First Amendment to Exclusive Negotiating Agreement

Exhibit A (Site)

Exhibit B (Performance Benchmarks)

Exhibit C (Interim Leasing Map)

Exhibit D (Transaction Cost Budget)

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-03

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and
- WHEREAS, The Port owns approximately 28 acres at Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay (the "Site"), which is the subject of an Exclusive Negotiating Agreement between Forest City Development California, Inc. and Port approved by the Port Commission by Resolution 11-49 (the "Original ENA"); and
- WHEREAS, With the adoption of Board of Supervisors Resolution 201-13 endorsing the Term Sheet, Developer successfully completed Phase 1 of the Original ENA; now, therefore, be it
- RESOLVED, That the Port Commission authorizes amending the ENA as described in the staff report accompanying this resolution and shown in Attachment 1, including the following: (1) provisions for interim leasing of the Site and Developer's acknowledgement of interim leases entered by the Port prior to the First Amendment; (2) treatment of negotiating fees and reimbursement of Port Costs and Non-Port Costs, as defined in the proposed ENA amendment; (3) a revised Phase 2 schedule of performance; and (4) restrictions on Developer representations regarding the Port's position related to ballot measures; and be it further
- RESOLVED, That the Port Commission reserves the right, if exclusive negotiations with Developer are unsuccessful and do not lead to approval of Transaction Documents, to undertake other efforts such as issuing a new request for proposals, at the Port Commission's sole discretion; and be it further
- RESOLVED, That the Port Commission's approval of the ENA amendment, and direction to Port staff does not commit the Port Commission or the City to approval of final Transaction Documents or implementation of the Project or grant any entitlements to Developer; and be it further
- RESOLVED, That the Port Commission will not take any discretionary actions committing the Port to implement the Project, and the provisions of the Term Sheet are not intended and will not become contractually binding on the Port unless and until the Port Commission and the Planning Commission have reviewed and considered environmental

documentation prepared in compliance with CEQA for the Project and the Project has been approved.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of January 14, 2014.

Secretary



**CITY AND COUNTY OF SAN FRANCISCO
EDWIN M. LEE, MAYOR**

**FIRST AMENDMENT TO
EXCLUSIVE NEGOTIATION AGREEMENT**

BY AND BETWEEN

**THE CITY AND COUNTY OF SAN FRANCISCO,
ACTING BY AND THROUGH THE
SAN FRANCISCO PORT COMMISSION**

AND

**FOREST CITY DEVELOPMENT CALIFORNIA, INC.,
A CALIFORNIA CORPORATION**

**MONIQUE MOYER
EXECUTIVE DIRECTOR**

SAN FRANCISCO PORT COMMISSION

**DOREEN WOO HO, PRESIDENT
KIMBERLY BRANDON, VICE PRESIDENT
WILLIE ADAMS, COMMISSIONER
LESLIE KATZ, COMMISSIONER
MEL MURPHY, COMMISSIONER**

JANUARY 14, 2014

FIRST AMENDMENT TO EXCLUSIVE NEGOTIATION AGREEMENT

This **FIRST AMENDMENT TO EXCLUSIVE NEGOTIATION AGREEMENT** (this “**First Amendment**”) dated as of January 14, 2014, for reference purposes only, is by and between the **CITY AND COUNTY OF SAN FRANCISCO** (the “**City**”), a municipal corporation acting by and through the **SAN FRANCISCO PORT COMMISSION** (the “**Port**” or the “**Port Commission**”), and **FOREST CITY DEVELOPMENT CALIFORNIA, INC.**, a California corporation (“**Developer**”).

RECITALS

A. The parties have entered into that certain Exclusive Negotiating Agreement (the “**Original ENA**”) dated as of July 12, 2011, setting forth the terms and conditions under which they are willing to negotiate (i) a disposition and development agreement and related ground leases and conveyance agreements, and (ii) other necessary transaction documents for the conveyance, management, and redevelopment of the Property that is more particularly described in the Original ENA. Capitalized terms that are not defined in this First Amendment have the meanings set forth in the Original ENA.

B. During the process of negotiations under the Original ENA, the parties have identified certain issues for which they desire to amend the Original ENA in accordance with the further terms and conditions of this First Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Port and Developer agree as follows:

AGREEMENT

1. **Effective Date.** This First Amendment will be effective (the “**First Amendment Effective Date**”) on the date this First Amendment is fully executed and delivered by the parties.

2. **Port’s Reserved Rights.** Section 2.6(a) of the Original ENA is deleted in its entirety and replaced by the following::

(a) The Port may enter into interim leases or licenses for any portion of the Site not under Developer’s control (each a “**New Interim Occupancy Agreement**”), as shown on the Interim Leasing Map attached as *Exhibit C*, in the standard form of Port lease in use as of the date of this First Amendment (the “**Port Form**”), which Developer acknowledges having had the opportunity to review before entering into this First Amendment in the ordinary course of the Port’s management, so long as each of the conditions below is satisfied:

(i) Each New Interim Occupancy Agreement includes: (A) the Port’s standard language relating to the Port’s right to terminate the occupancy in substantially the form of Section 4.2(a) of the Port Form; (B) the occupant’s waiver of any relocation rights under California Gov. Code §§ 7260 *et seq.* in the form of Section 4.3 of the Port Form; and (C) revised language in Section 25.2(b) of the Port Form that specifies that Developer, its contractors, and its agents will have the right to enter onto the area subject to the New Interim Occupancy Agreement upon reasonable prior notice during regular business hours to undertake activities reasonably necessary to conduct its entitlement and due diligence activities.

(ii) The allowed uses under each New Interim Occupancy Agreement are not expanded beyond those currently allowed.

(iv) Except as otherwise shown on *Schedule 1*, any New Interim Occupancy Agreement that is not month-to-month expires no later than July 31, 2016, but may include a Port option to extend the interim term for periods of up to one year, which the Port may exercise only if Developer has provided its prior written approval, in Developer's sole discretion.

(v) Developer has the right under this First Amendment to require that the Port exercise its right to terminate any Interim Occupancy Agreement on 6 months' prior notice from Developer to the Port.

(vi) The Port provides Developer with at least 60 days' prior notice before entering into any New Interim Occupancy Agreement or extending the term (under an option to extend or otherwise) of any existing New Interim Occupancy Agreement, together with a copy of the proposed New Interim Occupancy Agreement redlined against the Port Form for Developer's review and comment. Developer will have 10 business days following receipt to provide any comments on the proposed New Interim Occupancy Agreement, and the Port will consider in good faith whether or how to incorporate Developer's comments into the New Interim Occupancy Agreement.

(vii) Port will take all actions with respect to all New Interim Occupancy Agreements without penalty, cost, or expense to Developer.

3. **Port Interim Leasing.** A new Section 2.6(e) is added to the Original ENA as follows:

(e) Developer acknowledges that it has consented to the terms of the new leases that the Port entered into for portions of the Site (each, a "**New Interim Occupancy Agreement**"). New Interim Occupancy Agreements in effect as of the First Amendment Effective Date are listed in *Schedule 1* to this First Amendment. The parties may amend *Schedule 1* from time to time to reflect changes in interim occupancies at the Site without further amending this Agreement.

4. **Amended Performance Benchmarks.** Section 3.1 of the Original ENA is amended to read:

3.1. Performance Benchmarks. Developer must satisfy the performance benchmarks (each, a "**Performance Benchmark**") by the dates for performance (each, a "**Performance Date**") specified in *Exhibit B*, as amended by this First Amendment. The Port acknowledges that Developer has satisfied each initial performance benchmark (each, an "**Initial Performance Benchmark**") by the Initial Expiration Date. Developer must satisfy each remaining performance benchmark (each, a "**Final Performance Benchmark**") by the Performance Dates specified in *Exhibit B*, as amended. Subject to Developer's extension rights under Article 2 (Term), Developer's failure to satisfy all of the Final Performance Benchmarks by the Expiration Date will cause this Agreement to Terminate.

5. **Negotiating Fees.** Sections 5.1 through Section 5.6 of the Original ENA are deleted in their entirety and replaced by the following:

5.1. Fees and Costs. In consideration of the right to negotiate exclusively with the Port for the Site, Developer agrees to pay the Port extension fees (the "**Extension Fees**") and certain of the Port's costs as provided and subject to the conditions set forth in the Original ENA, as amended by this First

Amendment. Any sums payable to the Port under this Agreement must be tendered in United States currency in immediately available funds when due. Except as provided otherwise in this Agreement, the Effective Date will be the starting date for any sums payable on an annual or quarterly basis, and those sums will be pro-rated as appropriate to reflect the actual days elapsed in any partial quarter or year for which a payment is due.

5.2. Fees.

(a) Under the Original ENA, \$450,000 in Negotiating Fees have accrued up to the date of this First Amendment. By this First Amendment, the Port has agreed to forego all Negotiation Fees in consideration of Developer's agreement to: (i) increase the Transaction Cost Budget; and (ii) reimburse as Non-Port Costs all out-of-pocket fees and costs that the Port incurs for staff of the Office of Economic and Workforce Development through the expiration or earlier termination of the Exclusive Negotiation Period, subject to the Transaction Cost Budget.

(b) The Port also acknowledges that no Extension Fee is due or payable for Phase 1.

(c) As a condition to exercising each right to extend Phase 2 as provided in **Section 2.2** (Phase 2), Developer must tender an Extension Fee in the amount of \$100,000 to the Port before the Expiration Date, as extended. Developer acknowledges that Extension Fees are not reimbursable predevelopment costs.

5.3. Defined Terms for Transaction Costs. In this Agreement, the following terms have the meanings set forth below.

(a) **"Final"** when used in reference to a Regulatory Approval means that it is final, binding, and non-appealable, and all applicable statutes of limitation relating to the action, including CEQA, have expired, or if any person has filed or commenced a judicial or administrative action or proceeding in a venue of competent jurisdiction with regard to the Regulatory Approval, the action has been upheld by a final decision.

(b) **"Non-Port Invoice"** means an invoice for Non-Port Costs.

(c) **"Non-Port Cost Cap"** means the amount set forth in **Section 5.4(b)**, subject to **Section 5.4(c)**.

(d) **"Non-Port Costs"** means all out-of-pocket fees and costs that the Port incurs during the Exclusive Negotiation Period for services of architect, engineering, real estate and economics, other professional consultants, construction management services, other city departments, including the Department of Public Works, Office of Economic and Workforce Development, the Office of the City Attorney, including outside counsel, the Planning Department, and the Public Utilities Commission.

(e) **"Port Pier 70-Wide Costs"** means the Port's costs associated with master planning efforts for Pier 70 as a whole, such as:

(i) Completing the nomination to list Pier 70 on the National Register of Historic Places;

(ii) Developing and obtaining approval by the San Francisco Bay Regional Water Quality Control Board of a risk management plan, a remedial action plan, or other regulatory documents specific to the

conditions at Pier 70 containing standards sufficient to protect human health and the environment from hazardous substances in Pier 70;

- (iii) Planning for Crane Cove Park and the Blue Greenway; and
- (iv) Seeking legislative changes for the overall Pier 70 project.

(f) **“Port Staff Cost Cap”** means the amount set forth in **Section 5.4(a)**, subject to **Section 5.4(c)**.

(g) **“Port Staff Costs”** means the Port’s expenses for Port staff time spent on the Project during the Exclusive Negotiation Period, to the extent reasonably and directly related to the Project, such as staff costs incurred in relation to: (1) negotiating this Agreement, the Term Sheet, the LDDA, the Lease, and other Transaction Documents; (2) environmental review of the Project under CEQA; (3) obtaining entitlements for which the Port is required to be a co-permittee or co-applicant; (4) actions required to effect the public trust exchange on the Site, including negotiations with State Lands Commission (**“State Lands”**) staff and actions of the City Planning Commission and the Board; (5) State Lands’ review of the Project’s public trust consistency, if required, including any legislative process pursued to obtain legislative authorization of trust consistency; (6) Board and Planning Commission actions necessary to approve a special use district for the Project and related legislation and approvals; (7) Board approval of financing plans and other documents necessary to implement the infrastructure financing district and community facilities district serving the Project; (8) community outreach and other public meetings; (9) materials prepared for the Port Commission, the Board, and other commissions, including studies, legislative reports, findings, and resolutions; (10) review of architectural design and schematic drawings, plans, and specifications; and (11) fees related to City and Port permits and applications that Developer has not paid directly. Port Staff Costs do not include Port Pier 70-Wide Costs.

(h) **“Port Statement”** means a reasonably detailed statement showing the actual Port Transaction Costs incurred for the immediately preceding quarter (including Non-Port Invoices for any Non-Port Costs paid during that quarter), and the projected Non-Port Costs for the next quarter.

(i) **“Port Transaction Costs”** means the sum of Port Staff Costs and Non-Port Costs.

(j) **“quarter”** means a calendar quarter beginning on January 1, April 1, July 1, or October 1 during a calendar year, or any portion of the quarter during which this Agreement begins or ends.

(j) **“Transaction Cost Budget”** means the agreed budget for Port Transaction Costs, as revised by this First Amendment effective as of October 1, 2013, through the expiration or earlier termination of the Exclusive Negotiation Period, as it may be modified periodically by agreement of the parties.

(k) **“Transaction Cost Deposit”** means the initial sum of \$75,000, which Developer has delivered to the Port on or before the Effective Date as a deposit against Developer’s obligation to pay the Non-Port Costs, which the Port will apply as provided in this Agreement, and as supplemented from time to time for the Port to maintain a balance not less than \$75,000 from which to pay its Non-Port Costs, subject to the aggregate Non-Port Cost Cap.

5.4 Port Transaction Costs. As of the First Amendment Effective Date, the parties have reconciled the Port Transaction Costs for the period ending September 30, 2013, that the Port has incurred and that Forest City has paid or

will pay in accordance with the Original Agreement. The parties have also agreed on the revised Transaction Cost Budget.

(a) The Port will record and accrue Port Staff Costs not previously invoiced and going forward through the expiration or earlier termination of the Exclusive Negotiation Period as provided in this Section. The Port will have the right to reimbursement of its accrued Port Staff Costs, plus interest at the annual rate of 3 percent, compounded annually, from identified funding sources for the Project, but only to the extent that funds are available after Developer has received both the return of equity expended on predevelopment costs and the agreed return on equity. The Port's right to reimbursement of its accrued Port Staff Costs will be subject to the Port Staff Cost Cap of \$1,000,000. The Port will not be entitled to reimbursement of any Port Staff Costs above the Port Staff Cost Cap. Developer will only be required to reimburse Port Staff Costs if all project approvals are granted.

(b) Developer agrees to continue to pay the Non-Port Costs (as revised by this First Amendment) through the expiration or earlier termination of the Exclusive Negotiation Period as provided in this Section. Non-Port Costs, excluding costs of City departments, will accrue interest at the annual rate of 5 percent, compounded annually, from the 61st day after the date that Developer receives the first Port Statement that includes those costs until paid. Subject to **Section 5.4(c)**, Developer's payment obligations for Non-Port Costs will be subject to the Non-Port Cost Cap of \$3,500,000.

(i) The Port will not be entitled to payment of any Non-Port Costs: (A) that are billed to the Port more than 6 months after the services were provided; and (B) any invoice for Non-Port Costs that the Port timely receives, if the Port does not forward it to Developer within 4 months after the Port receives it.

(ii) Non-Port Costs for professional services and for City departmental staff must be supported by Non-Port Invoices that include a reasonable amount of detail regarding the services provided (including the dates of service) and costs incurred in connection with the Project. Non-Port Invoices for services of the Office of the City Attorney and of outside counsel will be provided in a summary format without narrative descriptions, but will identify all persons whose time is billed and specify the billing rates for each person whose time is billed (unless a blended rate applies) and indicate the amount of time billed for the billing period by each person.

(c) If the amount of the Non-Port Costs that the Port incurs exceeds the Non-Port Cost Cap (the "**Excess Costs**"), the Port will have the following options:

(i) The Port and Developer will meet and confer and may elect to defer reimbursement of the Excess Costs and treat them as Port Staff Costs (but not subject to the Port Staff Cost Cap), which will accrue interest at the annual rate of 3 percent, compounded annually, until funds, if any, for reimbursement are available as provided in **Section 5.4(a)**. The Port shall not be obligated to pay Excess Costs with Port Harbor Funds.

(ii) The Port may propose an increase in the Transaction Cost Budget based on the additional Non-Port Costs that the Port reasonably estimates will be needed to obtain Project approvals. In that case, the Port and Developer will meet and confer to discuss whether and by what

amount to increase the Transaction Cost Budget and the cap, as well as whether the Port may institute any reasonable measures to contain the Excess Costs without affecting the projected entitlement schedule for the Project.

(iii) If the parties agree to revise the Transaction Cost Budget, each will approve the revised budget in writing and may do so without further amendment of this Agreement if the only changes are changes to the budget are in the amounts of budget line items.

(d) Developer will not be obligated to reimburse the Port for Port Pier 70-Wide Costs unless and to the extent that the Port incurs Port Pier 70-Wide Costs as a result of Developer's request for specific measures in relation to its Project. In that event, the Port and Developer will agree on a budget for the Port Pier 70-Wide Costs to be reimbursed by Developer, and those costs will not be subject to any cost cap.

(e) Port and Developer agree that the "Priorities for Application of Project Sources" described in Section 10 Developer Return in the Term Sheet endorsed by the Board on June 11, 2013 will be amended in the Final Transaction Documents to provide that the Port will be reimbursed for Port Staff Costs and, if applicable, Excess Costs, immediately after Developer has realized a return of and on its qualified predevelopment costs before Project Sources are applied to infrastructure costs.

5.5 Transaction Cost Deposit. As a condition to entering into the Original Agreement, Developer previously tendered the Transaction Cost Deposit to the Port. The Port has applied and will continue to apply the Transaction Cost Deposit from time to time to reimburse the Port for its Non-Port Costs. Developer must tender funds as needed to replenish the Transaction Cost Deposit within 15 days after receipt of any Port Statement identifying the Port's application of the Transaction Cost Deposit to Non-Port Costs or indicating that Developer's reimbursement obligation will exceed the amount of the Transaction Cost Deposit. Developer's obligation to replenish under this Section is limited to the aggregate amount of the Non-Port Cost Cap, subject to adjustment as provided in **Section 5.4(c)**. Subject to **Section 5.7**, the Port will return to Developer any portion of the Transaction Cost Deposit that exceeds the aggregate Non-Port Cost Cap within 90 days after this Agreement Terminates or expires.

5.6 Port Statements. Within 60 days after the beginning of each quarter for the period from July 1 through the expiration or earlier termination of the Exclusive Negotiation Period, the Port will provide Developer with a Port Statement for the immediately preceding quarter. The Port Statement will state the balance of the Transaction Cost Deposit as of the date of the Port Statement, assuming that the Port has not applied it towards the amounts shown in the Port Statement.

6. **Environmental Review.** The first sentence of **Section 7.2** of the Original ENA is deleted in its entirety and replaced by the following:

The Port Commission will not approve any Transaction Documents or take any other discretionary actions that will have the effect of committing the Port to the development of the Project until the final environmental impact report ("EIR") for the Project is certified in accordance with CEQA and the City's CEQA Procedures under Administrative Code Chapter 31.

7. **Ballot Measures.** **Section 8.3** of the Original ENA is deleted in its entirety and replaced with the following:

8.3 Ballot Measures. Developer agrees not to make any representations about any Port statements, actions, or positions in any medium in relation to a ballot measure related to or affecting the Project in any way (a "statement") without the prior written consent of the Port Executive Director, in her sole discretion. Developer must provide the Port Executive Director with at least 5 business days' prior written notice of the content of any proposed statement for review before publication.

8. **Exhibits.** The exhibits to the Original ENA are deleted and replaced in their entirety by the Exhibits listed below, which, along with *Schedule I*, are attached to and incorporated in this First Amendment:

- Exhibit A (Site)
- Exhibit B (Performance Benchmarks)
- Exhibit C (Interim Leasing Map)
- Exhibit D (Transaction Cost Budget)

9. **Entire Agreement.** The Original ENA, as amended by this First Amendment, contains the entire agreement between the parties as to the subject matter of this Agreement. Except as specifically amended by this First Amendment, the Original ENA remains in full force and effect. From the First Amendment Effective Date, all references to this "Agreement" will mean the Original ENA, as amended by this First Amendment

Developer and the Port have executed this First Amendment as of the last date written below.

DEVELOPER:

**FOREST CITY DEVELOPMENT
CALIFORNIA, INC.,** California corporation

By: _____
Kevin Ratner,
authorized signatory

Date: _____

PORT:

**CITY AND COUNTY OF SAN
FRANCISCO,** a municipal corporation,
operating by and through the San Francisco
Port Commission

By: _____
Monique Moyer
Executive Director

Date: _____

Authorized by Port Resolution No. .

APPROVED AS TO FORM:
Dennis J. Herrera, City Attorney

By: _____
Joanne Sakai
Deputy City Attorney

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EXHIBIT B

PERFORMANCE BENCHMARKS

	Initial Performance Benchmarks (Phase 1)	Time for Performance (24 Months total)
1.	Developer Formation Documents: Developer must submit a copy of its Operating Agreement	October 1, 2011
2.	Preliminary Development Analysis: Developer to submit a preliminary development analysis that will identify key issues to inform the development of the Term Sheet and Project description. Scope to include the following: An overview of proposed development approach A framework for infrastructure A public finance analysis A public relations and community outreach program A regulatory approval strategy	February 1, 2012
3.	Preliminary Proposal: Developer to submit a preliminary proposal, including: (a) a master plan level of detail regarding rezoning through a Prop D Plan, the development program, height and massing, parking and transportation, infrastructure strategy, and phasing (including Phase 2 Performance Benchmarks); (b) an outline of a flexible development approach that will allow Developer to respond to changes in the economic and development environment; and (c) a financial plan, integrated with the outlined development approach	Dec 1, 2012
4.	Preliminary Land Use Plan, Trust Swap Proposal, and Term Sheet: Developer to submit preliminary land use plan, trust swap proposal, and Term Sheet	April 1, 2013
5.	Port Commission Endorsement: Port Commission to adopt a resolution endorsing the Term Sheet	June 1, 2013
6.	Board Endorsements: Board to take the following actions: (a) endorsing the Term Sheet which would include a Conceptual Land Use Plan applicable to the Site, and (b) making a fiscal feasibility determination (if necessary)	Expiration of Phase 1
	Final Performance Benchmarks (Phase 2)	Time for Performance (36 Months total)
1.	CEQA Environmental Evaluation Application: Developer must submit the environmental evaluation application for the Project	March 10, 2014
2.	Draft Environmental Impact Report: Publish the draft EIR	15 months after Environmental Evaluation Application
3.	Final EIR Certification: Planning Commission to certify the final EIR for the Project	3 months before Expiration of Phase 2
4.	Rezoning: Planning Commission to recommend required rezoning and General Plan Amendment for the Project as presented in the Term Sheet Conceptual Land Use Plan, as may be modified by mutual agreement of the Parties	3 months before Expiration of Phase 2
5.	Final Transaction Documents: Developer and Port must reach final agreement on the form of LDDA, Lease and all related transaction documents	2 months before Expiration of Phase 2
6.	Approval of Final Transaction Documents: Port Commission to adopt Public Trust consistency findings and approve final Transaction Documents	2 months before Expiration of Phase 2
7.	Board of Supervisor Approvals: Board to adopt CEQA findings, approve General Plan amendments, Planning Code and Zoning Map amendments, and approve final Transaction Documents to the extent required under City laws.	Expiration of Phase 2

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SCHEDULE 1

Interim Tenancies

Existing Interim Occupancy Agreements as of First Amendment Effective Date				
Interim Tenant	Start of Term	Termination Date	Relocation/Termination Rights	Extension Options
Yellow Cab	August 1, 2013	July 31, 2016	After 25 th month	None
Boas International Motors	November 1, 2013	January 31, 2017	After 25 th month	None
Affordable Storage	(Estimated) January 1, 2014	October 31, 2018	After 49 th month	Port option to extend for periods of up to one year (for a total of 5 years)
Affordable Storage	(Estimated) January 1, 2014	July 31, 2016	After 25 th month	None
New Interim Occupancy Agreements executed after First Amendment Effective Date				



EXHIBIT A - SITE MAP

PROPOSED WATERFRONT SITE SPECIAL USE DISTRICT - PIER 70
PORT OF SAN FRANCISCO

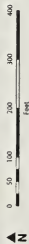


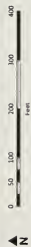


EXHIBIT C - INTERIM LEASING MAP

PIER 70

PORT OF SAN FRANCISCO

☐ WATERFRONT SITE



U.S. SOUTHERN WATERFRONT PIER TO BAYVIEW WATERFRONT SITE, INTERIM LEASING MAP

EXHIBIT C-001-01-01



Exhibit D

Transaction Cost Budget

Transaction Cost Budget (per FNA Section 5)

Planning and Development Division, SF Port
Date Updated: January 9, 2014

Planning and Development Division, SF Port										
Date Updated: January 9, 2014										
		Projection for 2014				Projection for 2015				
		2014				2015				
		Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Quarter	Second Quarter	Third Quarter	Fourth Quarter
Project Tasks										
Project Oversight, Due Diligence, and Management										
Subtotal - Port Staff Costs		\$99,041	\$99,041	\$99,041	\$99,041	\$99,041	\$102,012	\$102,012	\$102,012	\$102,012
I Port Staff Costs										
A Staffing										
From All Port Divisions										
Subtotal - Port Staff Costs		\$99,041	\$99,041	\$99,041	\$99,041	\$99,041	\$102,012	\$102,012	\$102,012	\$102,012
H Non-Port Costs										
A O&WD										
Subtotal		\$62,540	\$62,540	\$62,540	\$62,540	\$62,540	\$64,416	\$64,416	\$64,416	\$64,416
B Planning Department										
F Staff Team		\$28,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,750	\$25,750	\$25,750	\$25,750
Subtotal		\$28,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,750	\$25,750	\$25,750	\$25,750
C Legal										
All City Attorneys										
Legal Services - Real Estate, Entitlement, Financing, Trust, Title, etc.		\$221,246	\$221,246	\$221,246	\$221,246	\$221,246	\$221,246	\$221,246	\$221,246	\$221,246
Subtotal		\$221,246	\$221,246	\$221,246	\$221,246	\$221,246	\$221,246	\$221,246	\$221,246	\$221,246
D Other City Departments										
SFPUC, DPW Work Orders		\$0	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Subtotal		\$0	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
E Real Estate, Economic consultants										
Real Estate Research and Financial Analysis		\$37,000	\$37,000	\$37,000	\$37,000	\$37,000	\$38,110	\$38,110	\$38,110	\$38,110
Subtotal		\$37,000	\$37,000	\$37,000	\$37,000	\$37,000	\$38,110	\$38,110	\$38,110	\$38,110
F Engineering consultants										
As-needed engineering support for infrastructure review		\$0	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500
Subtotal		\$0	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500
G Supplies/Materials/Courier										
Supplies, Transits, Messenger deliveries, etc.		\$500	\$125	\$125	\$125	\$125	\$500	\$125	\$125	\$500
Subtotal - Non-Port Costs		\$340,286	\$385,411	\$385,411	\$385,411	\$385,411	\$389,147	\$389,147	\$389,147	\$389,147
Grand Total		\$447,327					\$1,972,807			
Total Cost from October 1, 2013 to December 31, 2015:							\$1,964,636			
							\$1,964,636			

Notes

1. City staff costs include fringe benefits
2. Excludes CEQA fees charged by the Planning Department



MEMORANDUM

January 9, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer *Moyer*
Executive Director

SUBJECT: Informational presentation on Flaming Lotus Girl's temporary public art installation at the Pier 14 Plaza between the Agriculture Building and Pier 14 on The Embarcadero adjacent to Mission Street

DIRECTOR'S RECOMMENDATION: Information Only – No Action Required

Executive Summary

A new public art piece is expected to be installed at the Pier 14 Plaza this April 2014. The Pier 14 Plaza is located on the Embarcadero Promenade between the Agriculture Building and Pier 14. This location has had three previous temporary art installations for public viewing. The Flaming Lotus Girls ("FLG") have requested permission to site a sculpture they created known as the SOMA (please see attached exhibit).

Started in 2000, the FLG is a female driven volunteer-based group located in San Francisco that creates monumental sculptures of mechanical art composed primarily of steel with interactive features including fire and or light. The FLG's mission is to support and promote community based interactive art that generates social participation. As such, their works combine kinetics, robotics, pyrotechnics, and electronics to attract audiences, and integrates control mechanisms to allow for audience participation. FLG sculptures have been in public spaces in the United States, Canada, Amsterdam and Australia (e.g. Burning Man; Treasure Island Music Festival; Coachella Music Festival; Toronto Winter City; Festival of Lights in Amsterdam; and the Big Day Out in Australia).

The SOMA sculpture is made almost entirely of welded stainless steel, and represents a pair of communicating brain cells, which features interactive lighting to replicate this cell's activity. This sculpture is 28 feet tall and 40 feet wide, and would be installed for twelve months at the Pier 14 Plaza. The FLG will submit a Port encroachment permit for this installation to ensure this improvement complies with City regulations including American's with Disability Act requirements.

This Print Covers Calendar Item No. 8B

Project Details

The following provides the main details for this temporary public art installation such as the proposed location, sculpture description and permitting.

Location: The SOMA sculpture would be installed in the Pier 14 plaza area, which is east of The Embarcadero Promenade, adjacent to Mission Street and between Pier 14 and the Agricultural Building. In this location, SOMA could be viewed by pedestrians while not impeding Promenade circulation. The plaza space for this installation is large enough to view this piece; visitors could gather off the Promenade or sit on raised sections of the Art Ribbon adjacent to the plaza.

Sculpture Description: The SOMA sculpture represents two cell bodies of a neuron often referred to as “brain or nerve cells.” These cells connect to other cells to make up the human nervous system and send messages to the brain and spinal cord. The SOMA sculpture includes an axon bridge to connect the two cells. These cells are electrical and excitable. To replicate this cell activity, the ends of this sculpture will be lit with interactive LED lighting. There will be up to 60 LED lighting units on SOMA that are capable of producing 16 million colors. These lights would be programed to respond to time of day, lighting conditions, visitor interaction, and are programmable for special events such as The Bay Lights display on the Bay Bridge. This LED lighting system will also have the capacity to turn on automatically nightly, and to be controlled remotely to be dimmed or turned off upon request.

This installation will have interpretive panels that will be produced in collaboration with scientists at University of California at San Francisco and or the Gladstone Institute to explain SOMA and the neuroscience it represents. These interpretive panels will also provide options to interact with SOMA.

Permitting: For this installation, FLG will submit an approvable Port encroachment permit. This permit requires stamped structural engineering drawings, proof of liability insurance, and compliance with the Port's maintenance and removal requirements for improvements along the waterfront as well as compliance with the American's with Disability Act requirements. The Port has previously secured approval from the Bay Conservation and Development Commission for public art installations at the Pier 14 Plaza on a rotating basis for a period not to exceed two years per art piece. This public art installation is exempt from the California Environmental Quality Act (CEQA) evaluation under CEQA exemption Class 4: Minor Alterations to Land. The issuance of the encroachment permit for this installation is exempt from CEQA evaluation under Class 5: Minor Alterations in Land Use Limitations.

Project Schedule

FLG proposes to install and display SOMA pursuant to the following schedule:

1. FLG obtains a Port encroachment permit in January 2014.
2. FLG leads a SOMA installation fundraising campaign between January and April 2014.
3. FLG installs the SOMA sculpture and interpretive display in April 2014.
4. FLG and the Port hold a SOMA opening ceremony in April 2014.

5. FLG performs quarterly SOMA maintenance visits and other maintenance as necessary between April 2014 and April 2015.
6. FLG removes SOMA and restores the Pier 14 Plaza site in April 2015.

Project Budget

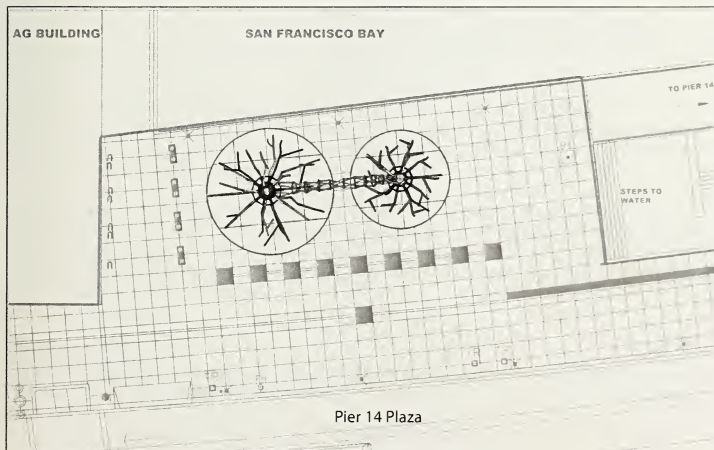
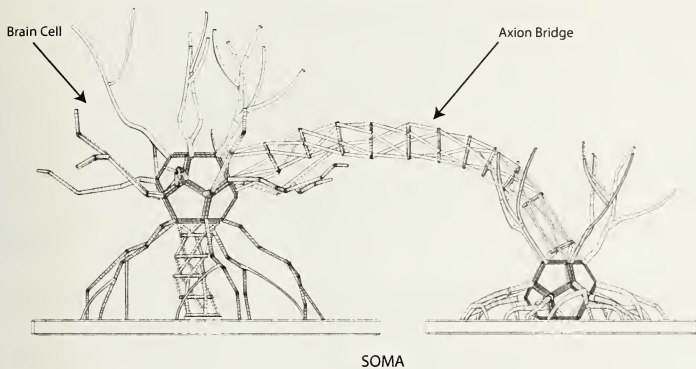
The FLG estimate that this installation will cost approximately \$50,000, which includes the removal of SOMA. The Port would be a partner in sponsoring the display of this sculpture by allowing the Pier 14 Plaza site to be used for this installation, paying for the Port's installation encroachment permit fee, which is estimated at \$3,000, and paying the electrical costs for the sculpture lights for the duration of the installation.

Prepared by: Kanya Dorland, Planner

For: Byron Rhett, Director of Planning and
Development

Exhibit 1: Flaming Lotus Girls Art Installation at Pier 14 Plaza

Pier 14 Plaza, Flaming Lotus Girls SOMA installation
Port Commission Meeting January 14, 2014
Exhibit





MEMORANDUM

January 9, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer *mmoyer*
Executive Director

SUBJECT: Informational Presentation on Port Climate Action Plan and Efforts to Track and Reduce Greenhouse Gas Emissions

DIRECTOR'S RECOMMENDATION: Informational Only – No Action Required

EXECUTIVE SUMMARY

San Francisco is addressing climate change through the complimentary strategies of climate action and climate adaptation. Although each has a different focus and intent, both strategies are consistent with recommendations of the scientific community. Whereas climate action seeks to stabilize our climate system by reducing greenhouse gas emissions, climate adaptation is the effort to secure the community against the increasingly significant changes to the global climate that are occurring due to increased levels of greenhouse gas emissions. Such changes include sea-level rise and increased incidence and severity of extreme weather events.

Staff has previously updated the Port Commission on the foundation of the Port's climate adaptation efforts, upgrading and maintaining the sea wall. At such time, Commissioner Leslie Katz requested that staff provide periodic information on climate issues at the Port. The purpose of today's presentation is to update the Port Commission and the public on the Port's climate action activities.

BACKGROUND

Efforts to reduce greenhouse gas emissions and mitigate climate change have occurred at scales of government from the international to the local. The Intergovernmental Panel on

This Print Covers Calendar Item No. 9A

Climate Change (IPCC) was established in 1988 by the United Nations and remains the leading international body for the assessment of climate change. The Kyoto Protocol of 1997, which the US played a key role in creating but did not ratify, is perhaps the most well-known international effort to reduce greenhouse gas (GHG) emissions.

In response to insufficient actions by the international community and the federal government, state and local governments took a leadership position on climate change. In 2005, Governor Arnold Schwarzenegger issued Executive Order S-3-05, which established the initial statewide greenhouse gas emissions reduction targets for California. In 2006, California enacted AB 32, the California Global Warming Solutions Act of 2006 (CA Health and Safety Code Section 38.500 et seq.). This Act established limits for aggregate statewide greenhouse gas emissions as well as mandatory reporting of emissions by large industrial sources. The California Air Resources Board determined that the total statewide greenhouse gas emissions for 1990 were 427 million metric tons of carbon dioxide equivalent (MMT CO₂e). This established a baseline for future emission reductions as outlined in Table 1. This limit is an aggregated statewide limit, rather than specific to an industrial sector or facility.

**TABLE 1: California GHG Emission Reduction Goals
(Executive Order S-3-05 and AB32)**

YEAR	TARGET % Reduction Below 1990 Levels	TARGET (MMT CO₂e)
1990	Baseline	427
2020	0%	427
2050	80%	85

CITY EFFORTS / GOALS

The City and County of San Francisco has been addressing climate change for several years. In 2002, the Board of Supervisors adopted Resolution 158-02 that required the City to develop a plan to reduce its greenhouse gas emissions to 20 percent below 1990 levels by the year 2012. It also required consideration of other efforts such as the Kyoto Protocol and the United Nations Intergovernmental Panel on Climate Change (IPCC) efforts to address climate change. In 2004 San Francisco signed the US Conference of Mayors Climate Protection Agreement. In that same year the Department of the Environment and the San Francisco Public Utilities Commission (SF PUC) issued the 'Climate Action Plan For San Francisco', which included an accounting of greenhouse gas emissions associated with City operations, non-City operations, and emission reduction recommendations. In 2007, the Civil Grand Jury issued a report entitled, "Can San Francisco Keep Its Promise To Reduce Greenhouse Gas Emissions?" This report cast doubt on the adequacy of the City's efforts to reduce greenhouse gas emission and made recommendations to address the problem.

In 2008, the Board of Supervisors passed Ordinance No. 81-08 to set greenhouse gas emission reduction targets through 2050, using 1990 emission levels as the baseline. The

Commission on the Environment determined these baseline emissions to be 6,201,949 metric tons of carbon dioxide (MT CO₂).

**TABLE 2: San Francisco GHG Emission Reduction Goals
(Ordinance No.81-08)**

YEAR	TARGET % Reduction Below 1990 Levels	TARGET (MT CO ₂)
1990	Baseline	6,201,949
2010*	14.5%	5,299,757 (actual)
2017	25%	4,651,462
2025	40%	3,721,169
2050	80%	1,240,390

*2010 is not a target year, yet indicates progress towards 2017.

The Ordinance also requires each department to “consider the effect of all decisions and activities within their jurisdiction on green house [sic] gas emissions and undertake their responsibilities to the end that the City achieves the greenhouse gas emissions set forth in this Ordinance.” In coordination with the Department of the Environment, all departments are required to prepare a Climate Action Plan.

The Climate Action Plan is prepared annually and provides a fiscal year summary of departmental activities that affect climate change and serves as a compendium for compliance with other environmental ordinances that are enforced by the Department of the Environment and other City agencies. The Plan assesses greenhouse gas emissions and identifies emission reduction measures applicable to both departmental operations and private sector activities that are regulated by the department. For most City operations the majority of GHG emissions are from energy use in buildings and in vehicle fleets. Climate Action Plans include a narrative as well as a data intensive inventory of resource consumption such as electricity, natural gas, and transportation fuels. The Department of the Environment uses these data to calculate greenhouse gas emissions for each department and for the City as a whole.

The calculation of community-wide greenhouse gas emissions is voluntary and complex and there is currently no standard methodology. Therefore, every three years the City solicits full third party verification and recommendations to improve its community-wide greenhouse gas emissions methodology. Most recently the Department of Environment submitted to an audit and verification process with ICF International. ICF International is an accredited third party greenhouse gas verifier under the ISO 14065 GHG Accreditation Program with the California Climate Action Registry. This latest audit found that the calculation of the City's community-wide greenhouse gas emissions inventory was “a fair and appropriate representation.”

PORT CLIMATE ACTION PLAN – EMISSIONS ACCOUNTING

In January 2009 the Port submitted a Climate Action Plan for FY08/09. This was the first methodical effort to inventory resource consumption and GHG emissions for Port operations. The data that the Port reviewed included SF PUC data on electricity, as well as natural gas data from PG&E and fuel usage for the Port's fleet. Additional information

included zero waste practices and employee commuter choices. The Plan also documented efforts to reduce greenhouse gas emissions. Highlights of the Port's efforts in FY08/09 were:

- Completion of an energy audit and lighting retrofit at eighteen Port locations;
- Installation of solar panels at Pier 96;
- Progress on the development of shoreside power for cruise ships; and
- Investment in energy efficient information technology.

For its efforts, the Port was named the first Climate Champion of the Year at the inaugural Green & Blue Awards, hosted by the Department of the Environment in 2009.

In each subsequent year the Port has submitted a Climate Action Plan Update. In that time the format has become more sophisticated and the breadth has expanded, including efforts to include tenant information. The core focus remains accounting for energy use in buildings and fuel use in vehicles, documenting associated greenhouse gas emissions, and seeking ways to reduce these emissions.

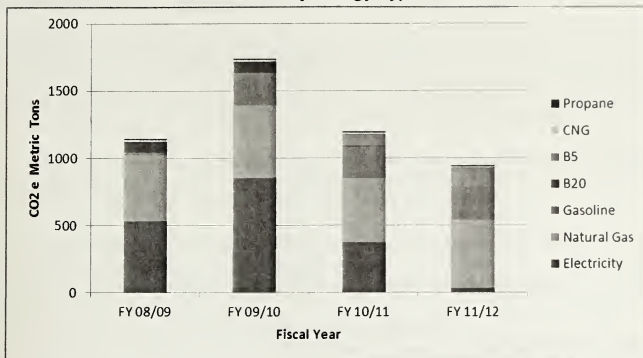
From FY08/09 through FY 11/12, Port greenhouse gas emissions were calculated as follows:

TABLE 3: Port - GHG Emissions Total

FISCAL YEAR	Mt CO2
08/09	1,141
09/10	1,734
10/11	1,191
11/12	940

The Port's emissions total provides only a coarse overall assessment, but little insight into the source fuels or operations that generate these emissions. Chart 1 illustrates the contribution of each energy source to the total of greenhouse gas emissions at the Port.

CHART 1: Port - GHG Emissions by Energy Type



Energy for buildings is a major source of greenhouse gas emissions. The consistent and significant contribution of natural gas indicates that much of the energy use in buildings is to power boilers. The carbon content of electricity has fluctuated the most among these energy sources that contribute to these emissions. This is due to the historical variation in the SF PUC power mix. Although the primary source of SF PUC electricity is hydro-electric power from the Hetch Hetchy system, droughts and other factors can require that the supply of electricity be supplemented by other forms of electricity generation which have different, i.e. higher, emission factors. The varying source profile of SF PUC electricity can result in a varying profile of departmental emissions, even if actual consumption is constant. As of 2012 SF PUC has been required by the state to buy 100% renewable power to fill any production gaps or additional needs. This ensures that the municipal carbon footprint from electricity will be zero for FY12/13 and thereafter. Nonetheless, energy efficiency will remain an important component of the City's, and therefore the Port's, climate action efforts; less clean energy consumed locally will mean that more is available for the general grid. Energy efficiency is also a prudent fiscal measure.

Gasoline contributed very little towards the Port's GHG footprint in FY08/09 but in FY09/10 it increased by a factor of ten when it stabilized. This first year anomaly is likely due to the initial challenges of obtaining accurate data. Departments are required by Executive Order to use biodiesel in all diesel vehicles. B5 is a biodiesel fuel blend with 5% derived from yellow grease and 95% from petroleum. B20 is a biodiesel fuel blend with 20% derived from yellow grease and 80% derived from petroleum. In FY08/09 and FY09/10 the Port fleet primarily used B20; in FY10/11 and FY11/12 the Port primarily used B5. The Port fuels its fleet at Central Shops, which temporarily switched to B5 to maintain compliance with state underground storage tank regulations.

PORT CLIMATE ACTION PLAN – EMISSIONS REDUCTION

The corollary to the emissions profile is finding opportunities to reduce greenhouse gas emissions with the ultimate goal of mitigating climate change. The Port's Climate Action strategy aims for a comprehensive accounting of greenhouse gas emissions from Port operations coupled with proactive efforts to minimize these emissions. The ideal is to reduce these emissions to zero without compromising the business of the Port.

Some of the Port's more recent efforts have been initiated by requirement for the annual climate action plan, but many others are initiated independently by Port staff and documented for the annual update. These efforts have included:

- Implementation of shoreside power at the Port's shipyard at Pier 70
- Development of a boiler maintenance plan
- Development of an inventory and database of all Port maintained trees
- LEED Gold New Construction
- Improved fleet management through GPS technology
- Use of solar-compacting waste receptacles at Fisherman's Wharf that can reduce truck trips
- Zero Waste Event Policy for plastic bottles and mylar balloons
- Conversion to LED technologies for lighting

Overall, the Port has performed well each year. This has required the use and development of several new tracking tools. In areas such as zero waste, the urban forest, information technology, and community-wide impact, the Port has excelled.

Energy use in buildings is a critical category. The 'Existing Commercial Buildings Energy Performance Ordinance' requires benchmarking, auditing, and public reporting of energy in buildings. The size and age of the Port's building inventory are challenges to ensuring the accuracy of energy use data in each structure, and to minimizing GHG emissions. Tenant-paid utility accounts introduce further complexities into the analysis. Port staff is working with tenants and the Department of the Environment to complete this effort. Retrofitting boilers or lighting systems, or installing solar panels are also costly. However, these decisions are increasingly strategic, made with a more comprehensive awareness of the energy demands on the Port's entire building inventory.

The second critical category is transportation. The Port has performed well in promoting alternate modes of transportation from public transit to bicycles. The Port currently hosts bicycle rental facilities as a part of the City's alternate transportation initiative. The Healthy Air Clean Transportation Ordinance requires departments to reduce their fleet sizes uniformly by 20% and update their fleets by replacing vehicles that are older than 12 years. The Port has reduced its fleet but received a waiver for portions of the fleet that are deemed indispensable to conducting Port business. The majority of the Port's fleet is close to 12 years old or older, so the effort to update the fleet is underway. However, this will require several years to establish an evenly distributed purchasing cycle.

CONCLUSION

Preparation of the annual Climate Action Plan demands a systematic and systemic assessment of the Port's operations. It is a team effort that involves every Port division and support from senior staff as well as the Mayor's Office, Department of the Environment, SF PUC, and General Services Agency - Central Shops. It is also an extension of the leadership the City has taken on climate change. Projected sea level rise will affect the Port directly and significantly and Port staff has developed an acute awareness of the issue of climate change. This requires new technologies and new approaches. Though it is at times challenging, staff incorporates these factors into the planning and execution of Port projects and operations to find efficiencies and to reduce greenhouse gas emissions, which is the most meaningful outcome of these efforts.

Prepared by: Richard Berman, Utility Specialist
Real Estate Division

For: Susan Reynolds, Deputy Director
Real Estate Division

Attachments

Exhibit A: Department Climate Action Plan Ordinances

EXHIBIT A
Department Climate Action Plan Ordinances

San Francisco Ordinance & Directives	Municipal Code Section	Description
Greenhouse Gas Emissions Targets and Departmental Action Plans	Environment Code Chapter 9	<p>San Francisco communitywide greenhouse gas emissions reduction targets:</p> <ul style="list-style-type: none"> • By 2017, reduce greenhouse gas emissions by 25 percent below 1990 levels • By 2025, reduce greenhouse gas emissions by 40 percent below 1990 levels • By 2050, reduce greenhouse gas emissions by 80 percent below 1990 levels <p>All City Departments are required to submit an annual Departmental Climate Action Plan</p>
Existing Commercial Buildings Energy Performance	Environment Code Chapter 20	The ordinance pertains to all nonresidential buildings greater than 10,000 square feet, requiring building owners to demonstrate energy performance using three methods: benchmarking, auditing, and public reporting. The ordinance asked the SFPUC to develop a compliance plan for municipally owned buildings, and requires each City department head to annually provide the information necessary to implement this plan.
Green Building Requirements for City Buildings	Environment Code Chapter 7	San Francisco's municipal new construction and major renovation projects (5,000 sq ft or larger) are required to achieve LEED® Gold certification. Chapter 7 also established the inter-departmental Municipal Green Building Task Force to oversee and assist in enhancing the environmental design and performance of City buildings, and designates ten City departments to be represented on the Task Force plus a member of the public.
Tropical Hardwood and Virgin Redwood Ban	Environment Code Chapter 8	Tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product ban for the City and County of San Francisco.
Non-PVC Plastics	Environment Code Chapter 5 Sec 509	Wherever possible, all departments shall obtain non-PVC plastics where appropriate alternative products composed of non-chlorinated materials are available.
Green Building Code Requirements	Building Code Chapter 13C	Green Building Requirements for City Departments that own buildings.
Commercial Lighting Efficiency Ordinance	Building Code Chapter 13D	Requires all City departments that own their buildings to comply with specific requirements for mercury content and energy efficiency of each 4-foot or 8-foot fluorescent lamp.
Healthy Air and Clean Transportation Program	Environment Code Chapter 4	<p>The Healthy Air and Clean Transportation Ordinance (HACTO) addresses:</p> <ul style="list-style-type: none"> • Transit First – At Work • Transit First – Commuting • Vehicle Reduction <p>All City employees and departments should use sustainable transportation such as public transit, ridesharing or biking to minimize single-occupancy vehicle transportation as much as possible and, when it is not, to use green vehicles. To implement this ordinance, each department is required to</p>

		develop a Transit-First plan outlining how your department will implement the various sustainable options to reduce vehicle usage and a Transit First Report on implementation. For departments that manage their own fleet of vehicles, fleet size must be reduced by 5% annually.
Pre-Tax Commuter Benefit for Qualified Transit	Environment Code Section 42	All City employees are offered commuter benefits for transit and vanpool expenses. The City Hall bike room provides secure bicycle parking, showers and lockers for bicycle commuters. City employees are also eligible for telecommuting and alternative work schedules. All City employees are automatically eligible for the emergency ride home program.
Resource Conservation Ordinance	Environment Code Chapter 5	It shall be the goal of every City department to (i) maximize purchases of recycled products and (ii) divert from disposal as much solid waste as possible so that the City can meet the state-mandated 50% diversion requirement. Each City department shall designate at least one person responsible for compliance with this Chapter. The ordinance requires janitorial contracts to consolidate recyclable materials for pick up. Lastly, the ordinance specifies purchasing requirements for paper products.
Environmentally Preferable Purchasing Ordinance	Environment Code Chapter 2	Requires City Departments to purchase products on the Approved Green Products List, maintained by the Department of the Environment. The items in the Approved Green Products List has been tested by San Francisco City Depts. and meet standards that are more rigorous than ecolabels in protecting our health and environment.
Environmentally Preferable Purchasing Requirements for Personal Computers and Servers	COIT/SF Approved	Per the Committee on Information Technology (COIT), environmental requirements for the procurement of (1) personal computers—including central processing units, monitors and laptops; (2) servers and (3) desktop laser printers.
Integrated Pest Management Program	Environment Code Chapter 3	The City, in carrying out its operations, shall assume pesticides are potentially hazardous to human and environmental health. City departments shall give preference to reasonably available non-pesticide alternatives when considering the use of pesticides on City property. For all pest problems on City property, City departments shall follow the integrated pest management (IPM) approach. This applies to all city properties, including leased properties with leases newer than 1996. "City department" does not include any other local agency or any federal or State agency, including but not limited to the San Francisco Unified School District, the San Francisco Community College District, the San Francisco Redevelopment Agency and the San Francisco Housing Authority.
Biodiesel for Municipal Fleets	Mayor's Executive Directive 06-02,	The Mayor's Executive Directive 06-02, Biodiesel for Municipal Fleets, mandates that "all diesel-using departments shall begin using a B20 biodiesel blend as soon as practicable in all diesel vehicles and other diesel equipment, with the following incremental goals in each department's use of B20: - Initiate and complete biodiesel pilot project by December 31, 2006; - 25% by March 31, 2007; and - 100% by December 31, 2007. As of January 1, 2013 the City's fleet has not reached 100% use of B20 biodiesel.

Mandatory Recycling and Composting	Environment Code Chapter 19	All persons in San Francisco must source separate their refuse into recyclables, compostables and trash, and place each type of refuse in a separate container designated for disposal of that type of refuse. No person may mix recyclables, compostables or trash, or deposit refuse of one type in a collection container designated for another type of refuse, except as otherwise provided in this Chapter.
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SAN FRANCISCO PORT COMMISSION

**JANUARY 14, 2014
MINUTES OF THE MEETING**

**MEMBERS, PORT COMMISSION
HON. LESLIE KATZ, PRESIDENT
HON. WILLIE ADAMS, VICE PRESIDENT
HON. KIMBERLY BRANDON
HON. MEL MURPHY
HON. DOREEN WOO HO**

**MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY**

DOCUMENTS DEPT

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CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING JANUARY 14, 2014

1. CALL TO ORDER / ROLL CALL

Commission President Doreen Woo Ho called the meeting to order at 3:20 p.m. The following Commissioners were present: Doreen Woo Ho, Kimberly Brandon and Leslie Katz. Commissioners Willie Adams and Mel Murphy were not present.

2. APPROVAL OF MINUTES – December 12, 2013

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor; the minutes of the December 12, 2013 meeting were adopted.

3. PLEDGE OF ALLEGIANCE

4. ANNOUNCEMENTS – The Port Commission Secretary announced the following:

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Corinne Woods - I am a waterfront rat. I've followed Port development and other projects for many, many years. By now you have either seen the letter that the State Lands Commission wrote to City Attorney Dennis Herrera or you've probably at least seen the Chronicle article about that letter. What upset me most about this very simplistic waterfront height initiative is that it basically trivializes thousands of hours of community involvement and planning. Not to mention the thousands of hours of staff and Commission time in long-range planning. It ignores the very difficult balance between the public trust obligations that the Port has and the economic viability of trying to fill a 2 billion dollar capital gap. Even worse is the fact that what these 15 seconds sound bites of a political campaign, the people most directly affected, the Port, are not allowed to respond to correct the errors, to say what's really important. I hope that this doesn't go through. Seawall Lot 337, Pier 70 we've worked for years to

get these going. We don't know if a delay of going to a vote of the people will make them economically viable. We don't know if they could kill these projects altogether and the Port can't afford that. It's important to get the word out somehow that this is not the innocuous measure, that height isn't everything. There are so many considerations that need to be made in any project to help the Port move forward.

6. EXECUTIVE

A. Election of Port Commission Officers

Commissioner Doreen Woo Ho - I'm going to pass the gavel to Kim Brandon.

Commissioner Brandon - I now open the floor for nominations for the Port Commission President.

Commissioner Woo Ho - I would like to nominate Commissioner Leslie Katz as the next Commission President.

Commissioner Brandon – I second the motion.

Commissioner Brandon - Are there any other nominations for Port Commission President? Are there any other nominations for Port Commission President? Are there any more nominations for Port Commission President? Seeing none, I now close the nominations for Port Commission President. All in favor?

Commissioners Brandon, Katz and Woo Ho - Aye.

Commissioner Brandon - Congratulations. Commissioner Katz has been elected President of the Port Commission.

Commissioner Katz - Thank you very much for that nomination and election. I'm excited looking to the year ahead but most importantly I want to thank our outgoing President Commissioner, Doreen Woo Ho. This has been quite a year for the Port and she has guided us with diplomacy, aplomb and an incredible amount of wisdom through some very difficult and high profile items, not the least of which was the America's Cup.

We had the opening of the Exploratorium, the ground-breaking and completion of at least the first phase of our cruise ship terminal on time and on budget which was historic and so many other things that have occurred under President Doreen Woo Ho's leadership.

I want to thank you for all that you've done during these two years of your presidency and for the wisdom and guidance that you've given to all of us. I know I certainly have learned quite a bit from watching you and I hope I will be able to continue with all the good work that you've set forth for the Port Commission here and be able to continue that kind of role and responsibility that you've imbued to the position.

I want to thank you for everything you've done during your time as the President and applaud you for an extraordinary job. Thank you.

Commissioner Brandon - I, too, would like to thank Commissioner Woo Ho for her commitment and all the time that she's put into the Commission over the past two years. Having met with her a lot of the time in the various meetings, I know the hours that she has put in and the commitment that she has to our tenants, to our various projects, to so many things that are happening here on the waterfront. Commissioner Katz named a lot of them and she did an incredible job. Thank you so much for your leadership and it's been a pleasure serving with you. I want to congratulate Commissioner Katz and I definitely look forward to working with you over the next couple of years. I'm looking forward to your leadership with all that we still have to do this year.

Commissioner Brandon - I would like to call for nominations for the Port Commission Vice President.

Commissioner Woo Ho - I would like to nominate Commissioner Willie Adams as the Vice President of the Commission.

Commissioner Katz – I second the motion.

Commissioner Brandon - Are there any other nominations for Vice President of the Port Commission? Are there any other nominations for Vice President of the Port Commission? Are there any other nominations for Vice President of the Port Commission? Hearing none, I close the floor for nominations and call for a vote. All in favor?

Commissioners Brandon, Katz and Woo Ho - Aye.

Commissioner Brandon - Commissioner Willie Adams has been elected Vice President of the Port Commission.

Commissioner Woo Ho - Now that I have the gavel back, I can say a few words before I pass this gavel onto my successor Commissioner Leslie Katz. I couldn't be more pleased with the election today. It's been an extremely rewarding two years working in a very exciting time with so many important initiatives as have been mentioned. All of you who are associated with the Port know what we've tried to accomplish in the last two years and it's been a pleasure working with my fellow Commissioners. I also want to acknowledge and thank Commissioner Kim Brandon who has been key in this administration.

She has been the voice of wisdom. She has known the past. She knows the community. She has brought her perspective fully and richly into our discussions. I want to thank Monique Moyer in terms of my interactions with her. We obviously also had a lot of dialog around many things, not just what comes before you in the Commission but just about how the Port operates and things

that we could be considering in terms of improvements and how we move forward to make the Port stronger and capable of handling the challenges.

The transactions that we've had in the past year have been enormous. You all heard what we've done in the past year and we have more ahead and that's going to be very exciting for us to proceed. I know that I leave this into very capable hands with Commissioner Katz and I congratulate her and that we will continue to support that agenda.

Every day, just as we heard, we have unexpected things. Today we got the headline about the State Lands and you know, it's never a dull moment. I know that we will continue to work. I want to also thank all the staff that I've worked with over the past year in terms of bothering them with a lot of questions and comments and meetings. Some of that will continue as we continue to go forward but obviously as the President of the Commission, you know, it's a little more involved sometimes in trying to understand the background of things that are going on in front of the Commission as well as around the Commission.

To look forward, to look sideways and to sometimes look back in the past because we have some issues that we often deal with in the past to figure out how we move forward. It's been a great time. I've really enjoyed it. I know that we're in very capable hands, I just want to thank everybody. I also want to thank all the community voices, Corinne, others like her that come forth that have been extremely helpful in the input in what we do going forward.

With that I want to mention that I fully support what's going on here and hope that we continue to move in this vein for the rest of the year. I will pass the gavel on to President Katz and she can now talk.

Commissioner Katz - Thank you past President Doreen Woo Ho. Thank you for your leadership. I also want to thank Vice President Brandon. I was trying to think of the different words that come to mind when I think of Kimberly. There's so many things that she's provided to the Port and her longevity as a Port Commissioner. I was thinking stability, continuity, insight, history, wisdom, but also for me mentorship.

Both Doreen and Kimberly served as mentors for me in terms of how to guide an organization, work with so many of you, and they've set an example of how to run a Commission well and how to be available for the public in very interesting and sometimes difficult times. I want to thank both of you for your service, your guidance, your wisdom.

As Commissioner Brandon mentioned, the amount of time that both of you have put in has really been extraordinary so on behalf of all of my colleagues, Commissioner Adams and Commissioner Murphy are both out of town, I speak for them in thanking both of you for everything you've done during this past term.

I'm looking forward to serving on behalf of the Commission as President. I want to make sure that I have an open door policy and I know that I gain a lot from public comment and people like Corinne who, I can't even begin to thank you for all that you offer to the Port in terms of your comments.

I also want to thank our Executive Director Moyer for what she does to get us all prepared and briefed along with her staff. I'm very much looking forward to this coming term and I want to thank you for the honor you've placed in me. I'd like to open up for public comment if there is any? Seeing none, do we have plaques?

Monique Moyer - Yes, we do. First of all congratulations President Katz. I will have to get my tongue around that. Congratulations, that is terrific news. My congratulations on behalf of all the staff as well to Vice President Adams and that may motivate him to not miss a meeting from here on out. Be careful what happens; you get elected while you're not here.

Commissioner Katz - But he told me he wouldn't turn it down though.

Monique Moyer - Good because I'm hoping he's not going to be a little taken aback. I want to echo a lot of the words that have been said already on the behalf of all of the Port staff, especially on my own behalf and that of Amy Quesada, our Commission Secretary. It has been an incredible two years working with the two of you and while we've worked individually with you both, we've also worked so closely with you both as a team that when I was thinking of what I wanted to emphasize and how to say thank you, it was hard to really separate the two of you. If you don't mind, my remarks are for you both.

You've been beyond generous with your time and your dedication and your commitment. It's already been mentioned by President Woo Ho and now President Katz, how many hours have gone into all this and Vice President Brandon mentioned it as well. It's more than I've seen in my tenure as Executive Director in terms of all of the different things that the Port has had going on.

The engagement with which you both came to help the staff is really why we were able to prevail as remarkably as we did. If you bear with me, it is worth mentioning what all has transpired in the two years that you two have served so generously. It's obviously been a very marquis period in the Port's lifetime starting with the celebration of our 150th anniversary in 2013. The long awaited construction of our cruise ship terminal. The equally long awaited completion of the Brannan Street Wharf, the Pier 43½ Promenade as well as the public realm on Jefferson Street are all achievements which will last for generations.

We also have been the beneficiaries of the bay lights on the Bay Bridge, the new Exploratorium at Piers 15, 17 and as well as some of the other really cool things that have happened. In the last two years, there have been more people at the waterfront than probably the last decade combined.

As you may recall in 2012 we were fortunate to celebrate with the World Series Champion Giants and in 2013 we got to celebrate again with the World Champion Oracle Team USA. We, of course, are the envy of ports around the world and that could not have happened without incredible dedication by not only all of our Commissioners, but most particularly by the two of you.

Last fiscal year alone, you presided over 123 Commission items. That's 60% more than normal. You saw a capital investment of 83 million dollars, that's 235% more than normal. You saw a contribution of \$12 million in contract to LBEs. That's two times more than normal. You saw the rebuilding of a fire-ravaged facility at Pier 29 in an unprecedented 10 months. I won't tell you how long it took us to rebuild Pier 48 but it was at least 10 times that.

You saw the management of 573 commercial tenancies. You saw the arrival of 269 vessel calls from cruise, cargo, fishing, military and research ships. You saw the hosting of the Port's first year-round home-ported cruise ship, 65 total cruise calls, 200,000 plus passengers which was a record for the Port. You saw the hosting of the fastest sailboats in the harbor known to man and you saw the hosting of the Port's first Maritime Day which was a huge success as we've discussed before.

Each one of those individually is really stunning and collectively, it's almost unfathomable. So on behalf of all of us, Commissioners, staff alike, thank you very, very much for your service. If you'll help me President Katz, we do have some plaques for the two of you.

Commissioner Katz – I'm looking forward to the year ahead. Particularly I also want to take a moment too to thank our staff. As you heard the litany of things that transpired just in the past two years. I was even stunned when I suddenly heard it all laid out like that. On behalf of all the Commissioners, I want to thank the incredible Port staff. I always say it privately so I want to make sure I say it again that we have the best staff in the city. It goes without saying, looking at all the tremendous accomplishments and everything, could not have been possible without such a great team. I'm looking forward to working with all of you and I know we've got quite a year ahead of us, cut out for us, so looking forward to meeting those challenges and moving it forward.

Brad Benson, Special Projects Director - I wanted to congratulate you Commissioner Katz and Commissioner Adams on your new offices at the Port Commission. I know you'll do a great job and we certainly look forward to working with you.

I wanted to extend the staff's thanks to the service that you two have provided over the past couple of years. I didn't do as much prep as Monique did in terms of her remarks but it has been a whirlwind of a two year period and the challenges have been great in terms of trying to figure out the America's Cup and everything else that has gone on along with it including some of our biggest development efforts ever at the Port.

Commissioner Woo Ho, you have caused us to really up our game in terms of how we present to the Port Commission, how ready we have to be with answers, how on top of information we have to be. Commissioner Brandon, the way that you have looked out in particular for the industrial southern waterfront has been remarkable. You know that private investment and a lot of interest resides with the northern waterfront but it's our responsibility as Port staff to look out for the whole waterfront, and you've really made us do that. I wanted to echo Monique's thanks to you and really appreciate working with you.

Commissioner Woo Ho - Thank you.

Commissioner Brandon - Thank you.

B. Executive Director's Report

- Grand Opening of the new Sea Lion Center at PIER 39

Monique Moyer - I only have one item on my Executive Director's report which is to promote if you will, the 24th anniversary of the sea lions arrival at Pier 39. On Friday, January 17, 2014 at 10:00 AM, Pier 39 will be launching an anniversary celebration of the sea lions' arrival and launching a brand new Sea Lion Center. As part of their celebration, the Sea Lion Center will be giving guided tours over the next couple of days which will be from Friday through Monday, effectively the long weekend.

In the afternoons, on the hour from 12:00 to 4:00, the tours will take place on the west side of the Pier 39 entrance which is over near Neptune's Waterfront Grill. The Sea Lion Center is going to be hosted by Aquarium of the Bay and Pier 39. The Sea Lion Center is a new educational nature center on level 2 of Pier 39 and the center is a hub for all things sea lion, including interactive displays, educational videos and presentations by the naturalists. If you have a moment to go and celebrate the 300 or so sea lions that make their residence at Pier 39, this would be a great weekend to do so, weather included.

C. Request approval of a Port Commission Travel Authorization and Reimbursement Policy. (Resolution No. 14-01)

Monique Moyer - The proposed travel policy is something that was suggested by President Woo Ho. It's a way of documenting the practices that the Port Commission has already been following with respect to travel by Port Commissioners.

As you know in the last three years, more or less, Port staff and others have requested more engagement and involvement by the Commissioners in travel to help us in attending various seminars and conferences but also to help us in our marketing efforts. The contributions the Commissioners have made in those

cases are invaluable starting with just adding prestige to the trip and particularly in our marketing calls, showing unity between our governing board and our staff.

We'd like to very much continue that practice to the extent possible. As you know, our practices in place currently are that travel emanates through approvals informally by myself as Executive Director and the Commission President just to ensure that it is within the realm of the Port's business accordingly. It also needs to ensure that we have available budget and we've been ensuring that such travel and reimbursement for travel expenses conform with the Controller's guidelines for business travel.

We also take an additional step by the Port Commission which is the Port Commission votes to ratify the travel of any Commissioner which is an unusual step within the city, but one that the Commission has shown great leadership on.

In summarizing the written policy, we've added one more step which would be to request that the travelling Commissioner fill out a travel authorization form. This is in keeping with the requirements under the controller's guidelines which calls for usually on behalf of the staff a similar type of form and again it explains the travel and ensures that the costs are reasonable, the purpose is appropriate and that there is available budget.

The definition of official business is pretty broad, but some examples include the promotion or development of Port of San Francisco programs, methods or administration, friendship missions, tourism or trade -- particularly those requests that emanate either from the board or the mayor -- relevance to Port of San Francisco operations, furtherance of the Port's legislative agenda, of course, whether or not they're approved funds and that all reimbursements are consistent with the Controller's guidelines.

It's pretty broad and it's not meant to be an exclusive list but it gives you an idea of the types of travel that is appropriate. As I mentioned at the outset, this was requested by President Woo Ho. Perhaps she could say a few words as to the policy aspects of the policy.

Commissioner Woo Ho - As Monique mentioned, this is not a new policy. We're not starting from scratch. This has been practice that we've been following for the last couple years already and probably even earlier than that. We felt that we wanted to make the process in writing, make it clearer for the Commissioners, for the staff as well as the public to understand that it's always good to have clear governance, good management and transparency.

Not that we've had any issues so far but we just want to make it clear that we're following this and so that everybody understands it and that we are in compliance. I do appreciate that we've put this into writing rather than just having informal guidelines and so the reminder of this is just new transition that it would be good and hopefully Commissioner Katz, since you have it in front of

you, that you would also agree. This is something that we have been following, as I said, informally for some time.

As a last note, as we do orientation for new Commissioners going forward, that we do include this in their orientation packet along with the rules of the Commission and any other information that clarifies exactly the terms of their Commission, etc. We want to have a clear policy manual for Commissioners coming in to understand what the expectations are.

With that, hopefully we will take action on it today and it's fairly broad and it's good governance. I've always viewed this Commission in line with my own industry experience in the private sector that it's always good to have good governance, that way everybody is very clear on how to proceed. There's no misunderstandings along the way.

Commissioner Katz - Thank you Commissioner Woo Ho for suggesting this policy. It makes a lot of sense to have it clear as we go forward.

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor; Resolution No. 14-01 was adopted.

7. CONSENT

- A. Request approval of the Operations Agreement with Phillips 66 Company ("Phillips 66") granting Phillips 66 authority to operate its refinery site in Rodeo, California as a Foreign Trade Zone No. 3 subzone site for a term of five years, with three options to extend for five years each and outlining conditions for the operation of the subzone site (Resolution No. 14-02)

ACTION: Commissioner Woo Ho moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 14-02 was adopted.

8. PLANNING AND DEVELOPMENT

- A. Request approval of the First Amendment to the Exclusive Negotiation Agreement between the Port and Forest City Development California, Inc. ("Forest City") for the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay (Resolution No. 14-03)

Ricky Tijani, Development Project Manager with the planning and development division - I will begin my quick overview of the presentation on the proposed first amendment as follows. First of all, just a quick indication of the location of the waterfront site. Before you is an area view of Pier 70. The area for the waterfront site is the one indicated in blue. Here is the waterfront site itself. It is generally bordered by 20th Street, Michigan Street, 22nd Street and the San Francisco Bay.

I'm going to try to make it as brief as possible as all the details are in the staff memorandum on this item. A very quick project update, what is included in the proposed first amendment to the exclusive negotiation agreement and the next steps. Since you endorsed the term sheet on the waterfront site project about in May last year, staff and the developers have been working very hard on the items of the term sheet.

They formed the project teams. As you know, it's a very complex project both on the city side and the developer side, they need to get their team together. This team consists of engineers, architects and consultants for the developer, and for the Port, it includes the city's office of economic and workforce development, SFPUC, the planning department, public works, city attorney's office because of the nature of the project.

Many sessions have been held. These are technical working sessions to prepare to negotiate the various items of the term sheet including this first amendment that we're bringing before you now. Because as we go into the project, we find out that there are many issues that need to be addressed and this is expected. So this is what is leading to the first amendment before you as an outcome of those ongoing due diligence and working sessions.

There are charrettes being held in anticipation of the CEQA submission and also there is the implementation of the Phase 0 of the development. Phase 0 consists of what the developer is looking at marketing that site, introducing it to the public and a number of events are being held including the open air market and the Halloween ghost ship that you have heard about.

During this period also, we staff have examined and pursued leasing opportunities for the site because this development is a phased development meaning that it's going to take a number of years. At the beginning it was anticipated that the Port would be handing over the site to the developer without tenants. However, revenue to the Port is very important and there is ongoing need to continue to have interim leasing until the developer is ready to move forward with the development.

As a result, staff have continued to lease portions of the site. Most recently, the SFMTA auto return on that site have vacated and relocated and that created an opportunity to release those portions of the site that were being used for auto return. The interim leasing program is very important to the Port. The need to maintain ongoing revenues necessitate some of the ongoing leasing activity.

The proposed first amendment to the ENA is in recognition of the change in the ENA from indicating that the site is going to be turned over to the developer without tenants on it to where now tenants need to remain on the site past when the developer takes possession of some of the portions of the site.

The first amendment also provides an opportunity to acknowledge this ongoing need to maximize revenue to the Port. Particularly other future leases that may

need to come into place. One that we already have in mind is Building 12 and the adjacent area to that Building 12 that Forest City wants to use to continue to market the project and from what they're calling a place-making opportunity in introducing the site to the general public.

Also as part of the looking into the future, and the change between the original ENA and the new ENA, the first amendment is incorporating provisions to address the concerns of the developer because the reason they wanted the site to be handed to them without any tenants on it was to avoid the issue of relocation delaying moving forward with the development, and an opportunity to go into the site and conduct their due diligence prior to final closing.

The first amendment is going to include provisions for the right to terminate the lease, asking the tenants to provide a waiver for relocations benefits and provisions that will allow the developer and his agent to continue to enter the site and conduct their due diligence and other pre-development activities.

Another reason for the first amendment or one of the terms of the first amendment was the issue of ENA negotiation fees and cost reimbursement. On that original ENA as indicated on this table, the developer is required to pay \$50,000 a quarter in negotiating fees. There are three categories of funds that the developer has provided the Port on that ENA. There is the \$100,000 deposit that was made up front when the ENA was negotiated. Another is the ongoing negotiation fees to cover staff cost as well as other non-Port costs.

The \$50,000 a quarter in negotiating fees, there is a provision in the ENA to allow for half of that negotiation fees to be forgiven subject to certain conditions which include that the developer will entitle the site as long with other parcels outside of their site and to obtain the Prop D plan for the Pier 70 preferred master plan.

As we go into the exclusive negotiations and working on the terms of the term sheet and scoping the project, staff realized that the complexity of the project is going to necessitate the developer providing additional funding because of the amount of work that is involved. As a result, staff had discussions with Forest City and indicated that an adjustment needed to be made and cancelled the amount that was set aside to cover staff costs, other non-Port staff cost during the exclusive negotiation period.

During the first phase, the developer has paid the Port to the tune of \$700,000. For the second phase, in terms of the realization that additional funds will need to be provided to cover staff costs, both staff and Forest City came to the conclusion that the existing cap of \$300,000 by year will not suffice.

Third row of the table indicates that this is the amount of cost recovery that the Port will obtain if the ENA is not amended or on that original ENA. During the first phase of the negotiation period which is 24 months, which is eight quarters, \$400,000 will be provided by the developer. In the second phase, which we are now getting into, that one is roughly 12 months. That would be \$600,000. That

will constitute a total of \$1 million. When you give the 50% discount or incentive to incentivize the developer to entitle other areas out of the waterfront site, that amount roughly \$200,000 or so for a total of \$600,000 in the first phase and \$900,000 in the second phase. In total, the Port will have been able to recover only a maximum of \$1.5 million and what we're currently proposing is \$2 million.

What is currently being proposed is to say we understand that the amount that was anticipated is far less than anticipated costs now. Originally, my understanding is that the developer was expecting no more than 2 million dollars in projected costs to be funded. Now, given the adjustments that have been made, they are going to be providing roughly \$4.5 million dollars.

In order to help the developer, staff is recommending that a portion of the negotiation fees that have not been paid, which will be paid for phase two, will be allowed to accrue untracked and the staff cost which is in the Port's operational budget should be funded from the Port operation budget because that is the source that is identified.

For the non-Port cost which include other city departments, city attorney, the planning department, SFPUC, OEWD and DPW, those are funds that a portion of the funding, because the Port does not have the money for it. The developer will be responsible for that amount. The compromise is that the developer has agreed for that to be capped at \$3.5 million dollars for the next 12 quarters or the 36 month period of the phase two.

If any of these costs were to go beyond what was agreed to now, there are provisions in the first amendment whereby the developer and staff may meet and negotiate what needs to be done. However, there are provisions for cost recovery. For instance, the staff costs that are being tracked will be reimbursed at the end of the project or from the project cash flow after the developer has recovered his initial investment and get a 10% return on cost.

Regarding the non-Port cost, there is a provision in the proposed first amendment that the Port will not be responsible for any of those costs. If the project were not to move forward for one reason or the other, up to that point where the project stopped moving forward, the developer will be responsible for reimbursing the Port for those costs.

The other part of the ENA that has been amended is the performance schedule. The overall timeline for completing the exclusive negotiation period, working out through the terms of the term sheet or the items of the term sheet is a total of five years. We've completed phase one when they were able to get endorsement of the term sheets.

The major component or the major milestones to be addressed is the summation of CEQA evaluation application submission. That entails the developer, which is kind of what we're going through the design workshops and the various

negotiation sessions, was to be able to provide a project description which is a key component for the CEQA evaluation application the developer has to submit.

Currently the developer is projecting to submit that on March 10, 2014. The next major milestone is the draft environmental impact report and that one is going to be 15 months from the submission of the CEQA evaluation summation.

These dates however are subject to two provisions. One, the developer has a right subject to paying an extension fee, to extend any of these dates for some reason. The second is force majeure. You show these provisions to protect the developer against things that are outside of their control like litigation or other disruptions that does not allow them to move forward.

The time period for completing the ENA period is not changing, it's just the intervening milestones. The fourth thing that is included in the first amendment is a provision regarding political campaign. This is to indicate to the developer that he must agree not to make any representation about Port statements, actions, position in any medium in relation to ballot measures related to the waterfront site without prior written authorization or consent of the Port Executive Director at our sole discretion

The next step is assuming that you do approve the recommended first amendment to the ENA, negotiation will continue on the remaining items on the term sheet. We will continue to move forward to achieve the milestones that we just mentioned and staff will be providing periodic updates to the Commission to tell you of our progress on the project.

Commissioner Woo Ho - I just want to clarify what you said and to make sure, the non-Port costs over \$3.5 million is what would be paid at 18% return back to the developer. Is that correct? So the \$3.5 million, is it subject to the 18% or not?

Ricky Tijani - The \$3.5 million is subject to the 18%.

Commissioner Woo Ho - So cash flow-wise, you get paid the \$3.5 million as you go, but then in the calculations down the road, you have to calculate the 18%.

Ricky Tijani - That is correct.

Commissioner Woo Ho - And that's not subject to any particular timeline.

Ricky Tijani - It's subject to the timeline on when that cash flow will be coming in to the developer.

Commissioner Woo Ho - If there are any delays in the project and the \$3.5 million has been spent, the Port is on the hook of those cash flow calculations down the end to repay the developer.

Ricky Tijani - Yes, but the Port is not responsible for that repayment is from my understanding is coming from the cash flow from the project. The \$3.5 million that the developer would be recouping at the appropriate time once the project starts cash flowing.

Monique Moyer - Said another way, if there's never a project, then it's the developer's risk which is why they're getting a large rate of return. If the project moves forward, even if it's delayed, the interest started accruing on the date that the non-Port costs were paid.

Brad Benson - That's correct and it's treated like any other pre-development expense so the developer's team -- that is their architects, engineers, etc. -- that are developing the project right now and bringing it through CEQA, those costs also earn an 18% return as of their expenditure date until the project can generate proceeds to repay that expense.

Commissioner Woo Ho - But are the city's non-Port costs covered up front?

Ricky Tijani - Yes.

Commissioner Woo Ho - How is this approach equivalent to how we're approaching some other development projects right now in terms of Port and non-Port costs?

Brad Benson - In the Warriors' agreement, the city is not collecting a negotiating fee right now so there's that similarity with the Warriors' agreement. In SWL 337, the Port's collecting a negotiating fee, a portion of which can be deferred and is also recovering city cost but there are options to delay the reimbursement of city costs in the SWL 337 ENA. There are slightly different approaches based on the different agreements.

Commissioner Woo Ho - Now at the moment, these costs have been costed out according to a schedule in phase two. Let's say we have to go out five years instead of two years and the cost of both the Port as well as the city keep moving along. I understand we talk about the excess, but there's no parallel to say it's the excess up to a certain period and then we have to realize that for whatever reason, force majeure, -- things have been delayed that these would be operating expenses that just happen as part of the delay period. How can you tie the timing of the schedule with the expenses that have been projected only out to a certain period and we have uncertainty still at this point to know exactly where this project's going to be. How can we tie them closer together?

Brad Benson - One through good tracking of costs. Planning and development staff has been working with finance and administration staff to come up with actual project budgets for each of the development projects that are going to be before you in the form of your budget consideration coming up in February. The city is going to have to stay on top of the expenditures relative to the budgeted amounts.

Part of your question is if it doesn't take two years but it takes five years, what happens then? There are a couple of things that could happen. One, the ENA, the first amendment to the ENA makes clear that the Port is not obligated to pay non-Port costs above the cap that is in the ENA. There's a provision to sit down with the developer and renegotiate the transaction cost budget should we actually hit the cap and need to keep on spending city attorney dollars or OEWD dollars for which we don't have a source in the Port's operating budget. There is also the ability pursuant to the term sheet that you all endorsed, at any time that the Port wanted to step in and pay early some of the pre-development expenses because there's a concern about accruing 18% returns or to just start paying directly for costs on a going forward basis rather than face those 18% returns, the Commission has that option at its discretion.

Commissioner Woo Ho - My concern is that we projected the cost for a certain period of time and there's a timeline and if these things do not mesh together that we somehow are taken care of. That's my concern. Because we don't know what's going to happen. There's a couple things obviously that could change this. In relation to that, what is the actual extension fee? Ricky mentioned it but I don't know what the actual extension fee is if it's invoked.

Brad Benson - I believe it's a \$100,000 extension fee.

Commissioner Woo Ho - For what period of time, \$100,000 per six months?

Brad Benson - We can take a look for that information and get back to you. That's not changing in this staff report which is why we don't have a ready answer on that but we will look at it and get an answer to you before the end of the meeting.

Commissioner Woo Ho - My last question about measures considered force majeure?

Brad Benson - I don't think that staff can answer that question. That would be a question I would turn to the city attorney for an answer to and I'm sure that they would have to go through some level of consultation on that. I don't know whether it meets the standard of a regulatory force majeure which is I think what your question is. But we can look into it and get an answer to you about that.

Legal Counsel Eileen Malley - That's correct. There are different categories of force majeure under the ENA and different definitions of force majeure but we will look into it and get back to you.

Commissioner Woo Ho - We should be clear since we're about to go into an agreement that we understand what this means and we don't have different interpretations later on given some potential realities that we're facing today.

Brad Benson - Yes. So I owe you an answer on the period of the extension. It's \$100,000 and there are two extensions and we need to confirm the six month term of those extensions and then we need to get you an answer about whether a

ballot measure impeding the project's timeline would qualify for a regulatory force majeure.

Commissioner Katz - I'm sort of getting at the same thing. In terms of the 18% rate of return that is accruing, can you go over the incentives that keep the project moving forward? I'm not sure whether we'd want to call it force majeure but rather than beating around the bush here, given the potential ballot measure, obviously we don't want the project to be delayed while that may or may not move forward. What happens with respect to the percentage that's paid? Does it continue to accrue?

Brad Benson - We've had a conversation with Forest City. Their intention is to move the project forward expeditiously and they've got a lot invested so far and they're committed to the project. In terms of the incentives that you're talking about, it might be good to remind the public about the general frame of this deal structure. In essence, our private partner is putting up private capital to both entitle the project, get it through a rezoning, get it through CEQA, get it approved through the Port Commission and the Board of Supervisors, and then they're also investing private capital in horizontal infrastructure that the city will acquire from them.

In both cases, their private investment in the project earns an 18% preferred return. After that 18% preferred return, any proceeds generated by the project in excess of that amount is split 45% to Forest City and 55% to the Port. That essential deal structure aligns our financial interests in the project and Forest City is highly motivated to move the project as quickly as possible because they are not in this project to earn an 18% return. That's sort of what the market is looking for risk capital.

They're in the project to make more than an 18% return. To get their 45% split. They have no financial incentive to wait or land bank in this deal. That's why we've approved the structure of the deal so that we're both rewarded by moving quickly through the process.

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor; Resolution No. 14-03 was adopted.

B. Informational presentation on Flaming Lotus Girl's temporary public art installation at the Pier 14 Plaza between the Agriculture Building and Pier 14 on The Embarcadero adjacent to Mission Street

Kanya Dorland, Planner with the Port of San Francisco - I'm here to present a temporary public art piece for the Pier 14 Plaza. As depicted in the graphic that you see, the Pier 14 Plaza is along The Embarcadero between the Agriculture Building and Pier 14 at the foot of Mission Street. This plaza has had three previous public art pieces. The creators for this art piece are the Flaming Lotus Girls. They are a female-driven, volunteer-based, art collaborative based in San

Francisco. This new art piece would be installed this spring and it would be in place for no more than 12 months.

For approval, Port staff is requiring a Port licenses and encroachment permit for this art installation. These documents would require the Flaming Lotus Girls to insure the art piece installation and indemnify the Port for any issues related to the art piece.

The Port encroachment permit would also ensure the piece's compliance with the Americans with Disability Act public art and display guidelines. Now I will hand this presentation to the Flaming Lotus Girls to present this piece.

Monique Moyer – I'd like to mention that there are no action items on this item before you in the sense that all of the approvals that we need have been delegated to staff in other ways. We thought it important that the Commissioners be the first to see what the art looks like that will be placed at Pier 14.

Caroline Miller - I wanted to present to you today our sculpture called SOMA. We would like to install this on the Pier 14 Plaza. I wanted to talk a little bit about who the Flaming Lotus Girls are. We are a female-led group who make large-scale interactive art installations. We are based in San Francisco, in Hunters Point in the Bayview. We are all volunteers. We take anybody who comes and emails our Web site as long as they want to show up and participate in our art.

We began in 2000 as a group of six and we are currently comprised of hundreds of members all over the globe. We teach through passing knowledge from one to another. We pass on knowledge with collaboration, classes and workshops. We greatly benefit from having members from having varied backgrounds with many skills that can be passed to the rest of the group and beyond.

We are very excited to present SOMA for possible installation on Pier 14 in spring, 2014. It has been a great dream of the Flaming Lotus Girls to install one of our pieces in our hometown. With your help we really hope to make this a reality.

SOMA is two neurons communicating in space. We hope the sculpture will give the public a way of exploring the connection between their sensory environment and their internal world. We believe SOMA captures all the best San Francisco has to offer -- science, technology and art.

The Flaming Lotus Girls have successfully installed pieces worldwide including Europe in Amsterdam, Toronto, Australia, Chicago, California, Nevada and extensively in the Bay Area. SOMA itself has already been installed in Los Angeles, Las Vegas, and San Mateo. Here you can see two examples. The larger picture is in Los Angeles. The smaller picture is in San Mateo. This is our representation of how we feel SOMA will look on the waterfront beautifully back dropped with the Bay Bridge.

The sculpture is 35 feet long made of stainless steel. The ground anchoring is designed by a licensed structural engineer. We have an interactive display of 17 million colored LED effects representing the physiological signals going between the two neurons that we demonstrate.

We're also going to show collaboration with UCSF and the Gladstone Institutes at Mission Bay to create six informal displays describing brain physiology and the role neurons play in sensing the world around us.

I'm Caroline Miller, the Director of the Histology and Light Microscopy Core Laboratory at the Gladstone Institutes. We also have another group of people here that are from UCSF as well. This sculpture was originally designed by neuroscientists. Our group is a mixture of people from all different backgrounds - scientists, nurses, horticultural people, chefs -- we have a really good mix.

We will be working in collaboration with ourselves to create six informational displays which will be presented to the public which will hopefully help explain both our sculptures as well as how this sculpture interacts -- how your brain interacts with the world around you.

We've also made contact with people from the Bay Lights project as we'd really like to make sure first that we do not take anything away from their project at all with our lights but also maybe we can do a collaboration with them as well. We're meeting with them this week.

Our installation will be certified by a licensed structural engineer. So far we're going to need two A/C circuits with six amps each driving the 85 multi-LED bulbs. We are changing all the electronics on the sculpture to make sure that they are waterproof and tamperproof. Tamperproof also goes the same for our structural components of the sculpture as well. We're going to use tamperproof bolts as well as possibly tack welding some of the bolts on there to prevent people from disassembling the sculpture during its installation.

We will be performing daily inspection of the installation. I commute from Vallejo to San Francisco on the ferry every day so I'll be riding my bike around the sculpture twice a day on my way to and from work. We will have a response time of 24 to 48 hours for any issues that do happen on the sculpture and we do intend on installing safety mesh to prevent climbing.

I wanted to show you a few of our other pieces. I won't go into them now but I will explain them if you'd like to but we have created multiple different installations all over the world. I would like to thank the hundreds of Flaming Lotus Girls that made SOMA possible, Burning Man for supporting us originally with a grant for this piece as well as multiple other pieces we've created over the years and you for possibly making our dreams come true.

Commissioner Brandon - I just want to thank you. It looks like a great project and I can't wait until it's in place.

Commissioner Woo Ho – Will the lights be multi-colored?

Caroline Miller - Millions of colors.

Commissioner Woo Ho - Will the lights be on until daylight and then what happens?

Caroline Miller - Yes. We hope to have the informational displays as you come into the sculpture, you'll read around the displays and the last one is as a gift to us for reading the rest of the informational displays, there'll be a panel where you can control the sculpture, its intensity and how it flashes and how the two neurons communicate with one another as well as different colors lighting up the whole sculpture.

Commissioner Woo Ho – How about the day?

Caroline Miller - During the day it's not quite as impressive, so probably not. It's like a dusk kind of thing.

Commissioner Katz – I, too, want to thank you. I'm very excited about it whether the Flaming Lotus Girls have any other Commissioners that they count amongst their members. I'm very excited.

Caroline Miller - We'll take you.

Commissioner Katz - As a former pre-med student, I recognized those neurons there. One thought I would have in terms of other possible collaboration and given the basis of science behind this, the Exploratorium might want to direct people that come to the Exploratorium to come down so you may want to pursue something with them given it's along the waterfront.

Caroline Miller - We're actually in communication with some people from the Exploratorium who are actually friends of ours and they're going to help us with the design of the informational panels and stuff. That'll be the really nice tie-in.

Commissioner Woo Ho - Can I just ask a process question? Because this is a public piece of art, does this have to go through the Arts Commission or some other approval process?

Monique Moyer - No. We work in collaboration with the Arts Commission but really the responsibility is the Port's. The Port Commission previously adopted a policy for temporary art at this location and we have permits already with BCDC and other such things. While we collaborate with the Arts Commission and their staff, we don't need their approval. Commissioner Woo Ho, you asked about whether the lights will be on night. No they won't. As you know, the Bay Lights on the Bay Bridge are not on all night as part of our good neighbor policies and our hope is that we'll time the Flaming Lotus Girl lights with the Bay Bridge lights as part of our good neighbor policy. So I don't want any of the public calling me with concerns.

Caroline Miller – Yes, I misunderstood that.

Commissioner Katz - I'm not sure if we have a time limit for installations in this site or if there is a renewal option to continue or if that would be contemplated?

Kanya Dorland - The BCDC regulations allow for a public art piece in this location for no more than 24 months. So we can have rotating art but no more than 24 months.

Commissioner Katz - Per piece?

Kanya Dorland – Yes, per piece and then it's exempt from CEQA. The installation is a temporary minor improvement to land.

Commissioner Katz - Thank you very much for your presentation, all your work on this. Looking forward to seeing it.

9. REAL ESTATE

A. Informational presentation on the Port's Climate Action Plan and Efforts to Track and Reduce greenhouse Gas Emissions.

Commissioner Katz - Before you start, I want to put a plug in for our missing colleague. I'm hopeful at our next meeting he'll report back on his efforts at looking at the effects of climate change amongst other things down in Antarctica. He was not on the boat that got stuck in the ice apparently. He was on a different one.

Rich Berman with Port Real Estate – I'm here to talk about climate action as we distinguished in the staff report, the city has a two-fold strategy for dealing with climate change. Climate adaptation is something you've heard about from Port staff which is preparing to deal with the climate changes that are occurring. We have great work being done by our engineering staff and staff representing the Port on the SF Adapt and we also have the twin strategy of climate action which is the attempt to stabilize the climate by controlling, managing greenhouse gas emissions.

A lot of the work that we've done here has been supported by staff from the Department of the Environment who have helped us tremendously. I'd like to extend our thanks to them.

You will be seeing references to greenhouse gas emissions. You will see the acronym GHG, that's what we're talking about there. As we go through this you'll see two basic strategies for managing greenhouse gas emissions. That is conserving energy and developing cleaner energy.

This is a color version of the chart that was in your staff report. It summarizes for four fiscal years the greenhouse gas emissions from Port operations. I would call your attention to a couple things. The lowest two bars -- the blue and the red --

represent electricity and natural gas. Those are emissions generally associated with stationary engineering consumption, or buildings.

Buildings represent the primary form of greenhouse gas emission in most cities and here at the Port. The remaining stacks primarily are associated with transportation fuels. The bulk of the emissions are from buildings and there are sizable emissions associated primarily with the fuels for transportation. A little bit with propane which is the light red strip at the very top.

In addition, I would draw your attention to the constancy of that big red stack number two which is the set of emissions from natural gas consumption. Because of its size and its constancy, it's an important issue to try and get our hands around. The blue emissions has fluctuated more. That's electricity.

What you're seeing there is that despite the fact that we have zero emissions from our primary source of electricity which is Hetch Hetchy Reservoir, in the past the PUC has had to supplement their energy source with what is often referred to as "dirty energy." Because there are greenhouse gas emissions, in that last fiscal year 2011/12 you see it drops to almost zero. Going forward, it will remain zero because of state law that's going to require that any supplemental energy be zero emissions with respect to climate change.

That's the Port's profile. Within the context of the overall city, the Port represents a little less than 1% of the city municipal greenhouse gas emissions and that you'll see is that light blue sliver up right near the 12 o'clock. So MTA, the red in the upper right corner, public health and the airport are departments that by their very nature have significant greenhouse gas emissions. Each department has different operations and so they have different challenges and struggles.

The Port as I say is less than 1% but it's still something we're trying to control and reduce. Minimizing our greenhouse gas emissions is something that's governed by almost 15-20 ordinances. A lot of individual efforts. These are just some highlights for buildings. You'll see energy performance benchmarking. The lighting retrofit, these are efforts to conserve energy as is the boiler maintenance program

We're looking to minimize the greenhouse gas emissions, that's the GHG up there. Renewable energy is an attempt to introduce clean energy and when we're talking about green building or lead certification, we're combining the opportunity to develop clean energy and introduce conservation. So the more energy we save, for example with zero emission electricity, the more is available for the grid and other consumers to consume reduced emission electricity.

In transportation, the number two, alternate fuels, is an attempt to introduce cleaner energy. The other three are primarily conservation efforts. The alternate fuels source that we rely on mostly at the moment is biodiesel made from recycled grease collected here in the city. It's a fantastic program and it's one of the lowest alternative fuels for greenhouse gas emissions.

From the building energy, I wanted to highlight one fairly well-known example of efforts to reduce greenhouse gas emissions. We all hear about LEED, Leadership in Energy and Environmental Design buildings get certified. There's a lot of fanfare around that and rightly so. As I say these are combining the opportunities to conserve energy and introduce cleaner energy.

These four buildings represent those that have reached the farthest status within the LEED certification system. The NC in that middle column, LEED NC is New Construction. BDC is Building Design and Construction. At the bottom is EBOM that is Existing Building Operation and Maintenance. Basically those are subcategories of LEED's efforts to certify different projects.

All of these are sterling examples of what we can do with green building. A slightly lesser known attempt within the building world is the boiler maintenance program that the staff has developed. A lot of this attributable to the work of the stationary engineers who go around daily and look into the boilers, make sure they're working well. The Port has five buildings with boilers. You see all of them here.

You'll notice that in those top three have had new boilers replaced within the last two years. We've refurbished one in the Union Building down at the Southern Waterfront within the last 10 and the one remaining building that needs work is down in the Southern Waterfront which is 501 Cesar Chavez. To me that's a real significant effort to have invested in the replacement and upgrading and to have that daily maintenance.

In the world of transportation a somewhat well-known effort is in the form of commuting. The Port conducted a survey in conjunction with the rest of the city family a couple years ago and we've documented the various that Port commute to work and what I wanted to call out here is that 77% take public transit, walk or some of these alternatives to driving alone. It's a pretty good mark. We can do better but it's pretty significant.

A category on the survey was private shuttle, taxi, limousine but I don't imagine anyone from the Port was actually taking limousine and I was out of space on my chart. This is a lesser known example of the Port's efforts to try to reduce vehicle trips. This is an effort at work. It's not commuting but when the carpenters go out, they installed a bike rack so they wouldn't need to make multiple vehicle trips. They could send out to an area, send one carpenter out on a bike and have another crew at a location with the truck. It's a proof of concept. I don't know that most of trade crews are doing this yet but it's something that with the right balance of bike, towing trailers and tools, it is a really innovative effort. It was not required by any ordinance. It was the innovation of the carpenters. They did a great job there.

This is an aerial view of Pier 96. The reason I'm showing you this is because of the tree. If you look down, you can count at least a dozen trees. It's part of the urban forest of the city and certainly part of the urban forest of the Port. When I

mentioned clean energy and conservation, those are the twin pillars of trying to manage greenhouse gas emissions but there's a third which is sequestration.

Trees, vegetation absorbs carbon and even though we are emitted carbon, maintaining a healthy urban forest is a fantastic way to take advantage of sequestration. The Port gardeners are responsible for a lot of this. A couple of years ago when we actually had rain, they were unable to do a lot of their work and they took the initiative of going out and taking a tree inventory of the entire Port. You can't read all these names but they've documented over 1600 trees by species and by block and they're coordinating when they can with the city's urban forester. It was a fantastic effort. Again, not required by any ordinance or outside agency, but the initiative of Port staff. The gardeners did a great job there.

What I want you to take away from this is that, calling on the staff report as well, the city of San Francisco has made a significant commitment to addressing climate change through climate adaptation but also through greenhouse gas emissions. The City Government, the Mayor's Office, the Board of Supervisors have taken action.

We have almost 20 ordinances that govern the climate action efforts made by individual departments. The community has been represented. The San Francisco Civil Grand Jury is ordering the report, took an interest and actually expressed some doubt that the city would be able to meet its goals expressed in an earlier resolution.

There's absolutely financial long-term fiscal prudence in energy conservation and in long-term investment in some of these buildings and it's also practical. We know that climate change is going to have a direct and significant impact on the Port and it's something that we have to prepare for.

The final image I wanted to share with you as I was going through all of this, reminded me of an allegory that you might be familiar with. It's about a forest fire that breaks out and all the animals are running around in a panic and they all start to run away from the forest fire towards the end of the forest and there's a lot of clamor about what can they do?

The elephants are saying, "Well, maybe we can throw water on the fire." But they're not doing anything and they just banter around and do nothing for a long time. And then they look up and they see this little hummingbird with a beak full of water and it flies over, drops a few drops on the fire, and flies back. They look up and they laugh and they say, "Well, isn't this foolish. Why are you doing this?" The hummingbird says, "Because it's what I can do."

It would be something if we all did just what we can do. I get the sense that the city of San Francisco has taken that commitment on very seriously. We're one small city of fewer than a million people. Climate change is a global problem. It doesn't have boundaries but at all levels of the city family government and the community and the departments, people are making an effort. We just wanted to

bring that to your attention and hope that you consider that as future projects come your way.

Commissioner Woo Ho - It's great to hear this report and that comment at the very end in terms of doing what we can is very appropriate. Because it is a huge problem and given that we do it in bite sizes and it's nice to know that we're very on top of what we can do. Even though we are a small contributor in San Francisco as noted in your chart and saying what we do as far as emissions but I know that with the shore side power and all the initiatives we've taken, we have been a leader in this effort. I applaud what we have been doing at the Port and hope we can continue and be an example to others in the city and to other cities in the country and in the world.

Commissioner Brandon - I totally agree and thank you for that great report. On one of the city overview slide, you had "other" at 23.9%. What does "other" mean?

Rich Berman - It was all the other departments. Every department is mandated by City ordinance to prepare a climate action plan and an annual update. We're actually in the throes of that right now. The Department of the Environment pulls all that data together and they prepared a pie chart that showed all the major department contributions. The "other" category is all of the other departments in the city like the library and the jail, etc.

Commissioner Brandon - So, "other" means the other city departments grouped together?

Rich Berman - Yes, all the other city departments.

Commissioner Brandon - It's great that we're doing such a wonderful job. Hopefully, if there's anything else that we need to do to make sure that we're showing our support that you bring that to our attention because I know that we're doing a lot but we can always do more.

Rich Berman - Yes, thank you very much.

Commissioner Katz - I echo my colleagues comments and am thrilled to see the report. I'm not sure if you mentioned it but the Department of the Environment gave the Port their first award back in 2009 at the inaugural Blue and Green awards.

Rich Berman - Yes, we were named Climate Champion and that was quite an honor.

Commissioner Katz - I want to thank you for that and it obviously shows that you've continued that work and maybe they want to give us another award. I know we're not subject to cap in trade but comparatively speaking, it looks like we have done in essence what should be done under the guidelines of cap and trade in terms of sequestration. Is there anything else in terms of being able to possibly

plant more trees? Have we looked into that opportunity or possibly partnering with Friends of the Urban Forest or any other entity to utilize?

Rich Berman - Not that I'm aware of. I was anticipating that question and I was hoping Tom Carter might be here. He is out ill today. Tom and his staff would be really helpful with that. He's partnered with the Conservation Corps for some efforts. We might have a lot of opportunity and the planning and development division here in the Port would also have a lot to offer in that area.

Commissioner Katz – In one of the charts, there was CNG. Do we get much CNG or is there a way of increasing that or is that a cleaner fuel, compressed natural gas?

Rich Berman - I don't know if it's a cleaner fuel than biodiesel. We can look into that. I'll have to get back to you on that.

Commissioner Katz - Are they on par? Would we use biodiesel in the same situations we'd use CNG?

Rich Berman - Yes. Part of it depends on the vehicles that you're purchasing. A lot of the maintenance vehicles used to be with CNG and they're finding that with the biodiesel they have a little more flexibility with the options to purchase.

Commissioner Katz - I know it looked like we saw a lot of advances from lighting retrofit for existing buildings and much of the biggest gains can be done from building retrofits as opposed to even new construction. You can really get great strides in retrofit which is also very costly. Are we exploring opportunities to either get outside funding or looking at ways that we can perhaps do more extensive building retrofits to reduce our emissions?

Rich Berman - I don't know the answer to the funding. I believe you're referring to the 2007 retrofit where we retrofitted 18 buildings with lighting and that was a partnership with the PUC and they did an investment grade audit and we were able to make tremendous strides there. The two challenges there are going to be the funding and the staff time. The time it takes to conduct an inventory of buildings and fixtures with almost 160 buildings that are subject to these kinds of improvements is tremendous. On both counts we will look into that.

Commissioner Katz - I was looking at not just the lighting retrofit but actually everything but which is often more costly but we can see some pretty significant gains even just from insulation and other things.

Rich Berman – The area where we are working is with the commercial building energy performance ordinance and we have some more work to do on that. A lot of the buildings that are occupied are occupied by tenants and they're in the better position to provide the information that would guide that kind of an investment and we're working with them to try to get that information up to speed so that we have the information to make the decisions.

Commissioner Katz – Perhaps there's some opportunities when we do new leasing on our commercial spaces and the allowed tenant improvements to have them be on a higher standard in terms of energy efficiency. I don't know if that's something that we do but we may want to look into that.

Monique Moyer - We actually do that and have been in the process of doing something similar with solar panels. As you know with the Exploratorium which was a rehabilitation project but also at Pier 9 with Auto Desk. We're looking at those where we can. On the grants question, traditionally the grants go through the PUC and that's how we become participants in them but we'll certainly revisit that.

Rich Berman - I would just remind us all that we're about to have solar panels working at Pier 1. They've been installed and they're finalizing some details. So, that's another success story.

Monique Moyer – Yes, thank you for that. Believe it or not we don't really have enough wind for wind generated power. It's hard to imagine some days when you're standing down here.

Commissioner Katz - And the incentives for that are leaving these days too.

Monique Moyer - We've looked at that a few times too so more to follow.

Commissioner Katz - Thank you very much. And I appreciate all this information and am very pleased with overall what the Port has been doing to date. Once again as my colleagues pointed out, setting the standard so that hopefully other cities will take a look at what we're doing and follow our lead. Our sister Ports perhaps might take note of that as well.

10. NEW BUSINESS

Commissioner Woo Ho - I have one new business item. I was actually in Hong Kong for the holidays and this was on my own but I did take that opportunity to contact some development and some other folks that Monique and I had a chance to meet when we were in Auckland over two years ago at the International Waterfront Symposium.

A couple things that I did do that I thought I would just come back and report because it's always nice to compare what we're doing in San Francisco with some of the other major cities of the world. I had a chance to visit their cruise ship terminal. I also had a chance to meet with their development and the counterpart at the head of their Harbor Front Advisory Committee.

They have an equivalent number of cruise ship stops, about 65. They just spent a billion U.S. dollars on their cruise ship terminal. So you can imagine, for a billion dollars you get a much larger cruise ship terminal than what we spent. By the end it's a little less than 150 million by the time we get through with phase two. I pointed that

out to them and they sort of looked at me. It is a beautiful terminal. It's huge. It can accommodate the largest ship or perhaps even three. They had this most intricate latest technology of gangway that moves up and down and it's very fancy. They have three of them. They can have three ships at once.

As I said, the cost is staggering. At the moment it's a very empty building and they have more work to do to put in amenities. It is located at -- if any of you know Hong Kong -- at the original old airport, Kai Tak airport, which is like an island isolated away. It isn't like us where we're in the middle of northern fisherman's wharf where tourists come right off and they're right in the heart of a tourist area of the city and in downtown.

There they're really isolated. So they're going to have a challenge in terms of trying to figure out what to do. They're trying to build some retail within the cruise ship terminal and they haven't got the tenants in. The challenge will be is these operators, because they're only going to have 65 cruise ships, what do they do for the rest of the time?

They're also trying to do events and they probably could do some events and things like that. But they're going to have a challenge getting those retail tenants because it's not close to anything. It's really isolated. That's an advantage that we have in terms of the location which really struck me. They're trying to figure that out. It seems like some of this planning is now coming in after they already built the terminal which is unfortunate.

The architect for the terminal is Norman Foster who is the same architect that built their airport. I remarked to them, "Everything you've built here," because they've got lines and everything. And we haven't done that yet because we haven't finished our terminal. I said, "This looks just like the airport." And they said, "Well, it's the same architect." Because it feels like an airport. I don't know whether that's the feeling one wants to have for a cruise ship terminal but that's exactly what it looks like.

They were very gracious and I had three or four people accompany me, they showed me where some of their waterfront is. Now, in Hong Kong as you know, it's an island and there's Kowloon on the other side. So there is waterfront everywhere. They have a Harbor Front Advisory Commission so to speak. I did meet with the chair. So the first order for them is to define "What is the waterfront?" Because right now all these pieces belong to different parts of the government in terms of the agency and not all of it is public.

In fact, for those of you who know what the PLA is -- which is the People's Liberation Army, PRC China actually owns some buildings right on the waterfront. So there's a lot of different interests and entities around. They're trying to define what is the waterfront and should they have an authority, not an advisory committee, to take charge of what happens with the waterfront.

When we were in New Zealand what we heard is that if you know Hong Kong everything had been commercially developed. Now they're trying to figure out the

open space. We've been trying to do both at the same time and it's important to recognize what San Francisco's accomplished in terms of doing this in a balanced way and they're sort of now going back and retrofitting trying to figure out, "Well, the public wants waterfront access and they don't have it."

That's the issue in Hong Kong. Now the good thing in Hong Kong is they've got lots of money. The government has surplus, has lots of money. I guess they didn't borrow that billion dollars, they just spent it. That came out of nowhere. So they're trying to decide now whether they should have a waterfront authority or an independent type of an authority with their own staff.

The head of the committee, a gentleman by the name of Nicholas Brook, asked me what I think. He said, "Should it be a collaboration of all these different departments in the city or should it be an agency of its own?" I said, "It should be an agency of its own." I said, "You're going to spend all your time trying to get everybody to agree. It's a lot easier. But then you have to define, what is the waterfront? What parts of the city are going to belong to us and what will not?"

Now you've all seen the high line in New York and understand what that is. Well they had these freeways that go around and they make the transportation work on either the Kowloon or the Hong Kong side. What they want to do is develop what they jokingly said would be the low line because they're going to have to do something interesting to the freeway to make it more interesting for their public because they want to build things that would bring people to the waterfront -- restaurants, retail, promenades, open space.

That is something that they're grappling with and what I walked away with is that because sometimes we get caught up with all our own machinations here and debates about what we should do here in San Francisco and all the issues and challenges that we have. I was explaining what we do in San Francisco to the head of their Commission and he was just going, "Oh wow. That's great. That's great. I wish we were there."

Sometimes you have to remember where you are, what we should be grateful for. We have balanced development here. We have a clear structure and process of how we're going forward with this and of course it's much harder in Hong Kong to define what the waterfront is because they do have a much wider area. There is no sea wall or there's no State Lands Commission that defined this a long time ago.

They're going to have a big debate on what belongs and what doesn't belong and then what agency gets to manage and where the funding's going to come from and the staff, etc. Right now it's just mingled with a lot of the tours and bore of the development department, various entities in the Hong Kong government. It'll be interesting to watch them. There was a lot of things they were interested in understanding how we approached things in San Francisco.

So Monique, I did volunteer your name that they should continue to keep in contact with you and that they should continue to keep in touch with the Commission in terms

of just what we can learn from each other. I wanted to report that because there is clarity to what we do here in San Francisco and they were all eager to hear how we're approaching what we're doing here with the waterfront and how they could learn from us. There are some things that we can learn from them as well going forward.

Commissioner Katz - Thank you. That was very informative. I just want to take a very quick moment to thank Sue Hestor who's joined us. Many people often wonder whether public comment has an impact and the last item that we had on our calendar, 9A, when large part I'd called for periodic updates on what we're doing in terms of climate change in part due to comments that Sue Hestor had made at one of our prior meetings. Yes, those of you who come and speak, we do appreciate it and we do listen and we want to thank you for public comment.

11. ADJOURNMENT

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

Port Commission President Leslie Katz adjourned the meeting at 5:01 p.m.

